



Department of Defense INSTRUCTION

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ASD(P&L)

SUBJECT: Commercial Activities Program Procedures

References: (a) DoD Instruction 4100.33, "Operation of Commercial and Industrial-Type Activities," February 25, 1980 (hereby canceled)
(b) [DoD Directive 4100.15](#), "Commercial Activities Program," March 10, 1989
(c) OMB Circular A-76, "Performance of Commercial Activities," August 4, 1983
(d) through (y), see enclosure 1

1. REISSUANCE AND PURPOSE

This Instruction:

1.1. Reissues reference (a) to update policy, procedures, and responsibilities required by references (b) and (c) for use by the Department of Defense (DoD) to determine whether needed commercial activities (CAs) should be accomplished by DoD personnel or by contract with a commercial source.

1.2. Cancels DoD 4100.33-H, "DoD In-House vs. Contract Commercial and Industrial Activities Cost Comparison Handbook."

2. APPLICABILITY AND SCOPE

This Instruction:

2.1. Applies to the Office of the Secretary of Defense (OSD), the Military

Departments, the Defense Agencies and DoD Field Activities (hereafter referred to collectively as "the DoD Components").

2.2. Contains DoD procedures for CAs in the United States, its territories and possessions, the District of Columbia, and the Commonwealth of Puerto Rico.

2.3. Is not mandatory for CAs staffed solely with DoD civilian personnel paid by nonappropriated funds, such as military exchanges. However, this Instruction is mandatory for CAs when they are staffed partially with DoD civilian personnel paid by or reimbursed from appropriated funds, such as libraries, open messes, and other morale, welfare, and recreation (MWR) activities. When related installation support functions are being cost-compared under a single solicitation, a DoD Component may decide that it is practical to include activities staffed solely with DoD civilian personnel paid by nonappropriated funds.

2.4. Does not apply to DoD governmental functions as defined in enclosure 2.

2.5. Does not apply when contrary to law, Executive orders, or any treaty or international agreement.

2.6. Does not apply in times of a declared war or military mobilization.

2.7. Does not provide authority to enter into contracts.

2.8. Does not apply to the conduct of research and development, except for severable in-house CAs that support research and development, such as those listed in enclosure 3.

2.9. Does not justify conversion to contract solely to avoid personnel ceilings or salary limitations.

2.10. Does not authorize contracts that establish an employer-employee relationship between the Department of Defense and contractor employees as described in FAR 37.104 (reference (d)).

2.11. Does not establish and shall not be construed to create any substantive or procedural basis for anyone to challenge any DoD action or inaction on the basis that such action or inaction was not in accordance with this Instruction, except as specifically set forth in paragraph 5.7., below.

3. DEFINITIONS

Terms used in this Instruction are defined in enclosure 2.

4. POLICY

It is DoD Policy to:

4.1. Ensure DoD Mission Accomplishment. The implementation of this Instruction shall consider the overall DoD mission and the defense objective of maintaining readiness and sustainability to ensure a capability for mobilizing the defense and support structure.

4.2. Retain Governmental Functions In-House. Certain functions that are inherently governmental in nature, and intimately related to the public interest, mandate performance by DoD personnel only. These functions are not in competition with commercial sources; therefore, these functions shall be performed by DoD personnel.

4.3. Rely on the Commercial Sector. DoD Components shall rely on commercially available sources to provide commercial products and services, except when required for national defense, when no satisfactory commercial source is available, or when in the best interest of direct patient care. DoD Components shall not consider an in-house new requirement, an expansion of an in-house requirement, conversion to in-house, or otherwise carry on any CAs to provide commercial products or services if the products or services can be procured more economically from commercial sources.

4.4. Achieve Economy and Enhance Productivity. Encourage competition with the objective of enhancing quality, economy, and performance. When performance by a commercial source is permissible, a comparison of the cost of contracting and the cost of in-house performance shall be performed to determine who shall provide the best value for the Government, considering price and other factors included in the solicitation. If the installation commander has reason to believe that it may not be cost-effective to make an award under mandatory source programs or non-competitive preferential procurement programs then a cost comparison, or any other cost analysis, although not required by OMB Circular A-76 (reference (c)), may be performed. Performance history will be considered in the source selection process, and high quality performance should be rewarded.

4.5. Delegate Decision Authority and Responsibility. The DoD Components shall delegate decision authority and responsibility to lower organization levels, giving more authority to the doers, and linking responsibility with that authority. This shall facilitate the work that installation commanders must perform without limiting their freedom to do their jobs. When possible, the installation commanders should have the freedom to make intelligent use of their resources, while preserving the essential wartime capabilities of U.S. support organizations in accordance with DoD Directive 4001.1 (reference (e)).

4.6. Share Resources Saved. When possible, make available to the installation commander a share of any resources saved or earned so that the commander can improve operations or working and living conditions on the installations (reference (e)).

4.7. Provide Placement Assistance. Provide a variety of placement assistance to employees whose Federal jobs are eliminated through CA competitions.

4.8. Permit Interim In-House Operation. A DoD in-house CA may be established on a temporary basis if a contractor defaults. Action shall be taken to resolicit bids or proposals in accordance with this Instruction.

5. PROCEDURES

5.1. Inventory and Review Schedule (Report Control Symbol DD-P&L(A)1540)

5.1.1. Information in each DoD Component's inventory shall be used to assess DoD implementation of OMB Circular A-76 (reference (c)) and for other purposes. Each Component's inventory shall be updated at least annually to reflect changes to their review schedule and the results of reviews, cost comparisons, and direct conversions. Updated inventories for all DoD Components except National Security Agency/Central Security Service (NSA/CCS) and the Defense Intelligence Agency (DIA) shall be submitted to the Assistant Secretary of Defense for Economic Security (ASD(ES)) within 90 days after the end of each Fiscal Year. Inventory data pertaining to NSA/CSS and DIA shall be held at the specific Agency concerned for subsequent review by properly cleared personnel. Enclosure 3 provides the codes and explanations for functional areas and enclosure 4 provides procedures for submitting the inventory.

5.1.2. DoD Components review schedules should be coordinated with the DoD Component's Efficiency Review Program and the Defense Regional Interservice

Support (DRIS) Program (reference (f)) to preclude duplication of efforts and to make use of information already available.

5.1.3. Review of CAs that provide interservice support shall be scheduled by the supplying DoD Component. Subsequent cost comparisons, when appropriate, shall be executed by the same DoD Component. All affected DoD Components shall be notified of the intent to perform a review.

5.2. Reviews

5.2.1. Existing In-House CAs DoD Components shall conduct reviews of in-house CAs in accordance with their established review schedules. Existing in-house CAs, once reviewed shall be retained in-house without a cost comparison only when certain conditions are satisfied. (Detailed documentation will be maintained to support the decision to continue in-house performance). These conditions are as follows:

5.2.1.1. National Defense. In most cases, application of this criteria shall be made considering the wartime and peacetime duties of the specific positions involved rather than in terms of broad functions.

5.2.1.1.1. A CA, staffed with military personnel who are assigned to the activity, may be retained in-house for national defense reasons when the following apply:

5.2.1.1.1.1. The CA is essential for training or experience in required military skills:

5.2.1.1.1.2. The CA is needed to provide appropriate work assignments for a rotation base for overseas or sea-to-shore assignments; or

5.2.1.1.1.3. The CA is necessary to provide career progression to needed military skill levels.

5.2.1.1.2. Core Logistics Activities. The core logistics capability reported to Congress, March 29, 1984, under the provisions of 10 U.S.C., Section 2464 (reference (g)) is comprised of the facilities, equipment, and management personnel at the activities listed in the report. The work at those activities may be performed by either Government or contractor personnel, whichever is more cost effective. Core logistics activities reported to Congress under the provisions of reference (g) must be retained in-house unless the Secretary of Defense grants a waiver

as provided for in Section 2464. Requests for waivers shall be submitted to the ASD(P&L). DoD Components may propose to the ASD(P&L) additional core logistics capability for inclusion in the list of core logistics activities. Core logistics activities reported to Congress as additions to the original list shall be retained in-house unless subsequently waived by the Secretary of Defense.

5.2.1.1.3. If the DoD Component has a large number of similar CAs with a small number of essential military personnel in each CA, action shall be taken, when appropriate, to consolidate the military positions consistent with military requirements so that economical performance by either DoD civilian employees or by contract can be explored for accomplishing a portion of the work.

5.2.1.1.4. The DoD Components may propose to the ASD(P&L) other criteria for exempting CAs for national defense reasons.

5.2.1.2. No Satisfactory Commercial Source Available. A DoD CA may be performed by DoD personnel when it can be demonstrated that:

5.2.1.2.1. There is no satisfactory commercial source capable of providing the product or service that is needed. Before concluding that there is no satisfactory commercial source available, the DoD Component shall make all reasonable efforts to identify available sources.

5.2.1.2.1.1. DoD Components' efforts to find satisfactory commercial sources shall be carried out in accordance with the FAR (reference (d)) and Defense FAR Supplement (DFARS) (reference (h)), including review of bidders lists and inventories of contractors, consideration of preferential procurement programs, and requests for help from Government Agencies, such as the Small Business Administration.

5.2.1.2.1.2. Where the availability of commercial sources is uncertain, the DoD Component will place up to three notices of the requirement in the Commerce Business Daily (CBD) over a 90-day period. (Notices will be in the format specified in FAR, Chapter 1, Part 5 and Subpart 7.3 (reference (d)).) When a bona fide urgent requirement occurs, the publication period in the CBD may be reduced to two notices, 15 days apart. Specifications and requirements in the notice will not be unduly restrictive and will not exceed those required of Government personnel or operations.

5.2.1.2.2. Use of a commercial source would cause an unacceptable delay or disruption of an essential program. In-house operation of a CA on the basis

that use of a commercial source would cause an unacceptable delay or disrupt an essential DoD program requires a specific documented explanation.

5.2.1.2.2.1. The delay or disruption must be specific as to cost, time, and performance measures.

5.2.1.2.2.2. The disruption must be shown to be of lasting or unacceptable nature. Temporary disruption caused by conversion to contract is not sufficient support for the use of this criteria.

5.2.1.2.2.3. The fact that a DoD CA involves a classified program, or is part of a DoD Component's basic mission, or that there is the possibility of a strike by contract employees is not adequate reason to continue that activity. Further, urgency alone is not an adequate reason to continue Government operation of a CA. It must be shown that commercial sources are not able, and the Government is able, to provide the product or service when needed.

5.2.1.2.2.4. Use of an exemption due to an unacceptable delay or disruption of an essential program shall be approved by the DoD Component's central point of contact office. This authority may be redelegated.

5.2.1.3. Patient Care. Commercial activities at DoD hospitals may be performed by DoD personnel when it is determined by the Head of the DoD Component or by his designee, in consultation with the DoD Component's chief medical director, that performance by DoD personnel would be in the best interest of direct patient care.

5.2.2. Contracts. When contract costs become unreasonable or performance becomes unsatisfactory, the requirement must be resolicited. If the DoD Component competes in the resolicitation, then a cost comparison of a contracted CA shall be performed in accordance with enclosures 5, 6, and 7, if in-house performance is feasible. When contracted CAs are justified for conversion to in-house performance, the contract will be allowed to expire (options will not be exercised) once in-house capability is established.

5.2.3. Expansions. In cases where expansion of an in-house CA is anticipated, a review of the entire CA, including the proposed expansion, shall be conducted to determine if performance by DoD personnel is authorized for national defense reasons, because no commercial source is available, or because it is in the best interest of direct patient care. If performance by DoD personnel is not justified under these criteria, a cost comparison of the entire activity shall be performed. Government

facilities and equipment normally will not be expanded to accommodate expansions if adequate and cost effective contractor facilities and equipment are available.

5.2.4. New Requirements

5.2.4.1. In cases where a new requirement for a commercial product or service is anticipated, a review shall be conducted to determine if performance by DoD personnel is authorized for national defense reasons, because no commercial source is available, or because it is in the best interest of direct patient care. If performance by DoD personnel is not justified under these criteria, then the new requirement normally shall be performed by contract.

5.2.4.2. If there is reason to believe that commercial prices may be unreasonable, a preliminary cost analysis shall be conducted to determine whether it is likely that the work can be performed in-house at a cost that is less than anticipated for contract performance. If in-house performance appears to be more economical, a cost comparison shall be scheduled. The appropriate conversion differential will be added to the preliminary in-house cost before it is determined that in-house performance is likely to be more economical.

5.2.4.3. Government facilities and equipment normally will not be expanded to accommodate new requirements if adequate and cost-effective contract facilities are available. The requirement for Government ownership of facilities does not obviate the possibility of contract operation. If justification for in-house operation is dependent on relative cost, the cost comparison may be delayed to accommodate the lead time necessary for acquiring the facilities.

5.2.4.4. Approval or disapproval of in-house performance of new requirements involving a capital investment of \$500,000 or more will not be redelegated below the level of DAS, or equivalent

5.2.4.5. Approval to budget for a major capital investment associated with a new requirement will not constitute OSD approval to perform the new requirement with DoD personnel. Government performance shall be determined in accordance with this Instruction.

5.2.5. CAs Involving Forty-Five or Fewer DoD Civilian Employees

5.2.5.1. When adequately justified under the criteria required in enclosure 8, CAs involving 11 to 45 DoD civilian employees may be competed based on simplified cost comparison procedures and 10 or fewer DoD civilian employees

may be directly converted to contract without the use of a simplified cost comparison. Such conversion shall be approved by the DoD Component's central point of contact office having the responsibility for implementation of this Instruction. Enclosures 7 and 8 shall be utilized to define the specific elements of cost to be estimated in the simplified cost comparison.

5.2.5.2. In no case shall any CA involving more than forty-five employees be modified, reorganized, divided, or in any way changed for the purpose of circumventing the requirement to perform a full-cost comparison.

5.2.5.3. The decision to perform a simplified cost comparison on a CA involving military personnel and 11 to 45 DoD Civilian employees reflects a management decision that the work need not be performed in-house. Therefore, all direct military personnel costs will be estimated in the simplified cost comparison (see enclosure 8) on the basis of civilian performance.

5.2.5.4. A most efficient and cost-effective organization analysis certification is required for studies involving 11 to 45 DoD civilian employees (see enclosure 8).

5.2.6. Military Personnel CAs. Commercial activities performed exclusively by military personnel not subject to deployment in a combat, combat support, or combat service support role may be converted to contract without a cost comparison, when adequate competition is available and reasonable prices can be obtained from qualified commercial sources.

5.2.7. Special Considerations

5.2.7.1. Signals Intelligence Telecommunications (SIGINT) and Automated Information System (AIS) Security

5.2.7.1.1. Before making a determination that an activity involving SIGINT as prescribed in E.O. 12333 (reference (i)), and AIS, security should be subjected to a cost comparison; the DoD Component shall specifically identify the risk to national security and complete a risk assessment to determine if the use of commercial resources poses a potential threat to national security. Information copies of the risk assessment and a decision memorandum containing data on the acceptable and/or unacceptable risk will be maintained within the requesting DoD Component's contracting office.

5.2.7.1.2. The National Security Agency (NSA) considers the

polygraph program an effective means to enhance security protection for special access type information. The risk to national security is of an acceptable level if contractor personnel assigned to the maintenance and operation of SIGINT, Computer Security (COMSEC) and Communications Security (COMSEC) equipment agree to an aperiodic counter-intelligence scope polygraph examination. The following clause should be included in every potential contract involving SIGINT, Telecommunications, and AIS systems: "Contract personnel engaged in operation or maintaining SIGINT, COMSEC or COMPUSEC equipment or having access to classified documents or key material must consent to an aperiodic counter-intelligence scope polygraph examination administered by the Government. Contract personnel who refuse to take the polygraph examination shall not be considered for selection."

5.2.7.2. National Intelligence. Before making a determination that an activity involving the collection/processing/production/dissemination of national intelligence as prescribed in reference (i) should be subjected to a cost comparison, the DoD Component must specifically identify the risk to national intelligence of using commercial sources. Except as noted in subparagraph 5.2.7.1., above, the DoD Component shall provide its assessment of the risk to national intelligence of using commercial sources to the Director, DIA, who shall make the determination if the risk to national intelligence is unacceptable. DIA shall consult with other organizations as deemed necessary and shall provide the decision to the DoD Component. (Detailed documentation shall be maintained to support the decision.)

5.2.7.3. Accountable Officer

5.2.7.3.1. The functions and responsibilities of the Accountable Officer are defined by DoD 7200.10-M (reference (j)). Those functions of the Accountable Officer that involve the exercise of substantive discretionary authority in determining the Government's requirements and controlling Government assets cannot be performed by a contractor and must be retained in-house. The responsibilities of the Accountable Officer as an individual and the position of the Accountable Officer are not contractible.

5.2.7.3.2. Contractors can perform functions in support of the Accountable Officer and functions where they are performing in accordance with criteria defined by the Government. For instance, contractors can process requisitions, maintain stock control records, perform storage and warehousing, and make local procurements of items specified as deliverables in the contract.

5.2.7.3.3. The responsibility for administrative fund control must be

retained in-house. The contractor can process all required paperwork up to funds obligation which must be done by the Government employee designated as responsible for funds control. The contractor can also process such documents as reports for survey and adjustments to stockage levels, but approval must rest with the Accountable Officer. In all cases, the administrative control of funds must be retained by the Government since contractors or their employees cannot be held responsible for violations of the United States Code.

5.3. Cost Comparison Process. If performance of a CA by DoD personnel cannot be justified under national defense, nonavailability of commercial source, or patient care criteria, then a full-cost comparison shall be conducted in accordance with enclosures 5, 6, and 7, to determine if performance by DoD employees is justified on the basis of lower cost (unless the criteria of subparagraphs 5.2.5. and 5.2.6. are met). The conclusion that a CA will be cost-compared reflects a management decision that the work need not be accomplished by military personnel. Therefore, all direct personnel costs shall be estimated on the basis of civilian performance. Funds shall be budgeted to cover either the cost of the appropriate in-house operation required to accomplish the work or the estimated cost of the contract. Neither funds nor manpower authorizations shall be removed from the activity's budget in anticipation of the outcome of a study.

5.3.1. Notification

5.3.1.1. Congressional Notification. DoD Components shall notify Congress of the intention to do a cost comparison involving 46 or more DoD civilian personnel. DoD Components shall annotate the notification when a cost comparison is planned at an activity listed in the report to Congress on core logistics (see paragraph 5.2.1.1.2. of this Instruction). The DoD Component shall notify the ASD(P&L) of any such intent at least 5 working days before the Congressional notification. The cost comparison process begins on the date of Congressional notification.

5.3.1.2. DoD Employee Notification. DoD Components shall, in accordance with 10 U.S.C., Section 2467(b), (reference (g)), at least monthly during the development and preparation of the performance work statement (PWS) and management study, consult with DoD civilian employees who will be affected by the cost comparison and consider the views of such employees on the development and preparation of the PWS and management study. DoD Components may consult with such employees more frequently and on other matters relating to the cost comparison. In the case of DoD employees represented by a labor organization accorded exclusive recognition under 5 U.S.C., Section 7111 (reference (k)), consultation with

representatives of the labor organization satisfies the consultation requirement. Consultation with nonunion DoD civilian employees may be through such means as group meetings. Alternatively, DoD civilian employees may be invited to designate one or more representatives to speak for them. Other methods may be implemented if adequate notice is provided to the nonunion DoD civilian employees and the right to be represented during the consultations is ensured.

5.3.1.3. Local Notification. It is suggested that upon starting the cost comparison process, the installation make an announcement of the cost comparison, including a brief explanation of the cost-comparison process to the employees of the activity and the community. The installations labor relations specialist also should be apprised to ensure appropriate notification to employees and their representatives in accordance with applicable collective bargaining agreements. Local Interservice Support Coordinators (ISCs) and the Chair of the appropriate Joint Interservice Regional Support Group (JIRSG) also should be notified of a pending cost comparison.

5.3.2. Performance Work Statement (PWS)

5.3.2.1. The PWS and its Quality Assurance Plan shall be prepared in accordance with enclosure 5 for full-cost comparisons, simplified-cost comparisons, and direct conversions of DoD personnel CAs. The PWS shall include reasonable performance standards that can be used to ensure a comparable level of performance for both Government and contractor and a common basis for evaluation. Employees and/or their bargaining unit representatives should be encouraged to participate in preparing or reviewing the PWS.

5.3.2.2. Each DoD Component shall:

5.3.2.2.1. Prepare PWSs that are based on accurate and timely historical or projected workload data and that provide measurable and verifiable performance standards.

5.3.2.2.2. Monitor the development and use of prototype PWSs.

5.3.2.2.3. Review and initiate action to correct disagreements on PWS discrepancies.

5.3.2.2.4. Approve prototype PWSs for Component-wide use.

5.3.2.2.5. Coordinate these efforts with the other DoD Components to avoid duplication and to provide mutual assistance.

5.3.2.3. Guidance on Government Property:

5.3.2.3.1. For the purposes of this instruction, Government property is defined in accordance with the FAR, Part 45, (reference (d)).

5.3.2.3.2. The decision to offer or not to offer Government property to a contractor shall be determined by a cost-benefit analysis justifying that the decision is in the Government's best interest. The determination on Government property must be supported by current, accurate, complete information and be readily available for the independent reviewing activity. The design of this analysis shall not give a decided advantage or disadvantage to either in-house or contract competitors. The management of Government property offered to the contractor shall also be in compliance with (reference (d)).

5.3.2.4. If a CA provides critical or sensitive services, the PWS shall include sufficient data for the in-house organization and commercial sources to prepare a plan for expansion in emergency situations.

5.3.2.5. DoD Components that provide interservice support to other DoD Components or Federal Agencies through interservice support agreements or other arrangements shall ensure that the PWS includes this workload and is coordinated with all affected DoD Components and Federal Agencies.

5.3.2.6. If there is a requirement for the commercial source to have access to classified information in order to provide the product or service, the commercial source shall be processed for a facility security clearance under the Defense Industrial Security Program in accordance with DoD Directive 5200.22 (reference (l)) and DoD 5200.22-R (reference (m)). However, if no bona fide requirement for access to classified information exists, no action shall be taken to obtain a security clearance for the commercial source.

5.3.2.7. Employees of commercial sources who do not require access to classified information for work performance, but require entry into restricted areas of the installation, may be authorized unescorted entry only when the provisions of DoD 5220.2-R (reference (n)) apply.

5.3.3. Management Study. A management study shall be performed to analyze completely the method of operation necessary to establish the most efficient and cost-effective in-house organization (MEO) needed to accomplish the requirements in the PWS. The MEO must reflect only approved resources for which

the CA has been authorized. As a part of the management study, installations should determine if specific requirements can be met through an Inter/Intraservice Support Agreement (ISA) with other activities or Government Agencies that have excess capacity or capability.

5.3.3.1. The CA management study is mandatory. Enclosure 6 provides guidance on how to conduct the management study. The study shall identify essential functions to be performed, determine performance factors, organization structure, staffing, operating procedures for the most efficient and cost effective in-house performance of the CA. The MEO becomes the basis of the Government estimate for the cost comparison with potential contractors. In this context, "efficient," or "cost-effective" means that the required level of workload (output), as described in the performance work statement, is accomplished with as little resource consumption (input) as possible without degradation in the required quality level of products or services.

5.3.3.2. DoD Components have formal programs and training for the performance of management studies, and those programs are appropriate for teaching how to conduct CA management studies. Enclosure 6 does not purport to replace the DoD Component's own management techniques, but merely to establish the basic criteria and the interrelationship between the management study and the PWS.

5.3.3.3. If a CA provides critical or sensitive services, the management study shall include a plan for expansion in emergency situations.

5.3.3.4. Early in the management study, management will solicit the views of the employees in the CA under review, and/or their representatives for their recommendations as to the MEO or ways to improve the method of operation.

5.3.3.5. The management study will be the basis on which the DoD Component certifies that the Government cost estimate is based on the most efficient and cost-effective organization practicable.

5.3.3.6. Implementation of the MEO shall be initiated no later than 1 month after cancellation of the solicitation and completed within 6 months. DoD Components shall take action, within 1 month, to schedule and conduct a subsequent cost comparison when the MEO is not initiated and completed as prescribed above. Subsequent cost comparisons may be delayed by the DoD Component's central point of contact office, when situations outside the control of the DoD Component prevent timely or full implementation of the MEO. This authority may not be redelegated.

5.3.3.7. DoD Components shall establish procedures to ensure that the in-house operation, as specified in the MEO, is capable of performing in accordance with the requirements of the PWS. The procedures also shall ensure that the resources (facilities, equipment, and personnel) specified in the MEO are available to the in-house operation and that in-house performance remains within the requirements and resources specified in the PWS and MEO for the period of the cost comparison, unless documentation to support changes in workload/scope is available.

5.3.3.8. A management study is not required for simplified cost comparisons; however, a MEO analysis and certification is required.

5.4. Cost Comparisons. Cost comparisons shall include all significant costs of both Government and contract performance. Common costs; that is, costs that would be the same for either in-house or contract operations, need not be computed, but the basis of those common costs must be identified and included in the cost comparison documentation. Enclosure 7 provides the basic guidance for conducting full-cost comparisons. Enclosure 8 provides guidance for conducting simplified cost comparisons. The supplemental guidance contained below is intended to establish uniformity and to ensure all factors are considered when making cost comparisons. Deviation from the guidance contained in enclosure 7 will not be allowed, except as provided in the following subparagraphs.

5.4.1. In-house Cost Estimate

5.4.1.1. The in-house cost estimate shall be based on the most efficient and cost-effective in-house organization needed to accomplish the requirements in the PWS.

5.4.1.2. Heads of the DoD Components or their designees shall certify that the in-house cost estimate is based on the most efficient and cost-effective operation practicable. Such certification shall be made before the bid opening or the date for receipt of initial proposals.

5.4.1.3. The ASD(P&L) shall provide inflation factors for adjusting costs for the first and subsequent performance periods. These factors shall be the only acceptable factors for used in cost comparisons. Inflation factors for outyear (second and subsequent) performance periods will not be applied to portions of the in-house estimate that are comparable with those portions of the contract estimate subject to economic price adjustment clauses.

5.4.1.4. Military positions in the organization under cost comparison shall be converted to civilian positions for costing purposes. Civilian grades and series shall be based on the work described in the PWS and the MEO, determined by the management study rather than on the current organization structure.

5.4.1.5. DoD Components shall not use the DLA Wholesale Stock Fund Rate and/or the DLA Direct Delivery rate for supplies and materials as reflected in subparagraph 3.a.(1) and (2) of enclosure 7 to this Instruction. The current standard and pricing formula includes full cost under the Defense Business Operations Fund (DBOF). No further mark-up is required.

5.4.1.6. DoD Components shall assume for the purpose of depreciation computations that residual value is equal to the disposal values listed in Appendix C of enclosure 7, if more precise figures are not available from the official accounting records or other knowledgeable authority. Therefore, the basis for depreciation shall be the original cost plus the cost of capital improvements (if any) less the residual value. The original cost plus the cost of capital improvements less the residual value shall be divided by the useful life (as projected for the CA cost comparison) to determine the annual depreciation.

5.4.1.7. Purchased services that augment the current in-house work effort and that are included in the PWS should be included in line 3 (other specifically attributable costs). When these purchased services are long-term and contain labor costs subject to economic price adjustment clauses, then the applicable labor portion will not be escalated by outyear inflation factors. In addition, purchased services shall be offset for potential Federal income tax revenue by applying the appropriate rate in Appendix D of enclosure 7 to the total cost of purchased services.

5.4.1.8. Overhead costs shall be computed only when such costs will not continue in the event of contract performance. This includes the cost of any position (full-time, part-time, or intermittent) that is dedicated to providing support to the activity(ies) under cost comparison regardless of the support organization's location. Military positions providing overhead support shall be costed using current military composite standard rates that are issued on a Fiscal Year basis by each Military Service.

5.4.2. Cost of Contract Performance

5.4.2.1. The contract cost estimate shall be based on firm bids or negotiated proposals solicited in accordance with the FAR (reference (d)) and the

DFARS (reference (h)) for full-cost comparisons. Existing contract prices (such as those from GSA Supply Schedules) will not be used in a cost comparison. For simplified-cost comparisons, the guidance in enclosure 8 applies.

5.4.2.2. Standby costs are costs incurred for the upkeep of property in standby status. Such costs neither add to the value of the property nor prolong its life, but keep it in efficient operating condition or available for use. When an in-house activity is terminated in favor of contract performance and an Agency elects to hold Government equipment and facilities on standby solely to maintain performance capability, this is a management decision, and such standby costs will not be charged to the cost of contracting.

5.4.2.3. A specific waiver is required to use contract administration factors that exceed the limits established in table 3-1 of enclosure 7. The reason for the deviation from the limits, the supporting alternative computation, and documentation supporting the alternative method, shall be provided to the DoD Component's central point of contact office for advance approval on a case-by-case basis. This authority may not be redelegated.

5.4.2.4. The following guidance pertains to one-time conversion costs:

5.4.2.4.1. Material-Related Costs. The cost factors below shall be used, if more precise costs are not known, to estimate the cost associated with disposal/transfer of excess Government material, which result from a conversion to contract performance:

	<u>Percentage of Current Replacement Cost</u>
Packing, Crating, & Handling (PCH)	3.5%
Transportation	3.75%

5.4.2.4.2. Labor-Related Costs. If unique circumstances prevail when a strict application of the 2 percent factor for computation of severance pay results in a substantial overstatement or understatement of this cost, an alternative methodology may be employed. The reason for the deviation from this standard, the alternative computation, and documentation supporting the alternative methods shall be provided to the appropriate DoD Component's central point of contact office for advance approval on a case-by-case basis. This authority may not be redelegated.

5.4.2.4.3. Other Transition Costs. Normally, Government personnel assistance after the contract start date (to assist in transition from in-house performance to contract performance) should not be necessary. When transition

assistance will not be made available, this condition should be stated clearly in the solicitation so that contractors will be informed that they will be expected to meet full performance requirements from the first date of the contract. Also, when circumstances require full performance on the contract start date, the solicitation shall state that time will be made available for contractor indoctrination prior to the start date of the contract. The inclusion of personnel transition costs in a cost comparison requires advance approval of the DoD Component's central point of contact office. This authority may not be redelegated.

5.4.2.5. Gain or Loss on Disposal/Transfer of Assets. If more precise costs are not available from the Defense Reutilization and Marketing Office or appropriate authority, then:

5.4.2.5.1. The same factors for PCH and transportation costs as prescribed in subparagraph 5.4.2.4.1. for the costs associated with disposal/transfer of material may be used.

5.4.2.5.2. The estimated disposal value may be calculated from the net book value as derived from the table in Appendix C of enclosure 7, minus the disposal/transfer costs. This figure shall be entered as a gain or loss of line 11 or line 13 of the cost comparison form as appropriate.

(If a cost-benefit analysis, as prescribed in subparagraph 5.3.2.3., indicates that the retention of Government-owned facilities, equipment, or real property for use elsewhere in the Government is cost advantageous to the Government, then the cost comparison form shall reflect a gain to the Government and therefore a decrease to the cost of contracting on line 11 or line 13 of the cost comparison form, as appropriate.)

5.5. Independent Review

5.5.1. The estimates of in-house and contracting costs that can be computed before the cost comparison shall be reviewed by a qualified activity, independent of the Task Group preparing the cost comparison. This review shall be completed far enough in advance of the bid or initial proposal opening date to allow the DoD Component to correct any discrepancies found before sealing the in-house cost estimate.

5.5.2. The independent review shall substantiate the currency, reasonableness, accuracy, and completeness of the in-house estimate. The review shall ensure that the in-house cost estimate is based on the same required services, performance standards, and workload contained in the solicitation. The reviewer shall

scrutinize and attest to the adequacy and authenticity of the supporting documentation. Supporting documentation shall be sufficient to require no additional interpretation.

5.5.3. The purpose of the independent review is to ensure costs have been estimated and supported in accordance with provisions of this Instruction. If no (or only minor) discrepancies are noted during this review, the reviewer indicates the minor discrepancies, signs, dates, and returns the CCF to the preparer. If significant discrepancies are noted during the review, the discrepancies shall be reported to the preparer for recommended correction and resubmission.

5.5.4. The independent review is not required for simplified cost comparisons.

5.6. Solicitation Considerations

5.6.1. Every effort must be made to avoid postponement or cancellation of CA solicitations even if there are significant changes, omissions, or defects in the Government's in-house cost estimate. Such corrections shall be made before the expiration of bids or proposals and may require the extensions of bids or proposals. When there is no alternative, contracting officers must clearly document the reason(s).

5.6.2. Bidders or offerers shall be informed that an in-house cost estimate is being developed and that a contract may or may not result.

5.6.3. Bids or proposals shall be on at least a 3-year multi-year basis (when appropriate) or shall include prepriced renewal options to cover 2 Fiscal Years after the initial period.

5.6.4. All contracts awarded as a result of a conversion (whether or not a cost comparison was performed) shall comply with all requirements of the FAR (reference (d)) and DFARS (reference (h)).

5.6.5. Solicitations shall be restricted for preferential procurement when the requirements applicable to such programs (such as, small business set-asides or other required sources of supplies and services) are met, in accordance with the FAR (reference (d)).

5.6.6. Solicitations will not be restricted for preferential procurement unless the contracting officer determines that there is a reasonable expectation that the

commercial prices will be fair and reasonable, in accordance with the FAR (reference (d)).

5.6.7. Contract defaults may result in temporary performance by Government personnel or other suitable means; such as, an interim contract source. Personnel detailed to such a temporary assignment should be clearly informed that they will return to their permanent assignment when a new contract is awarded. If the default occurs within the first year of contract performance, the following procedures apply:

5.6.7.1. If the Government was the next lowest bidder/offeree, and in-house performance is still feasible, the function may be returned to in-house performance. If in-house performance is no longer feasible, the contracting officer shall obtain the requirement by contract in accordance with the requirements of the FAR, Part 49. A return to in-house performance under the above criteria shall be approved by the DoD Component's central point of contact office. This authority may not be redelegated.

5.6.7.2. If the contract wage rates are no longer valid or if the contracting officer, after a review of the availability of the next lowest responsible and responsive bidders/offerees, determines that resolicitation is appropriate, the Government may submit a bid for comparison with other bids/offers from the private sector. Submission of a Government bid requires a determination by the DoD Component that performance by DoD employees is still feasible and that a likelihood exists that such performance may be more economical than performance by contract. In such cost comparisons, the conversion differential will not be applied to the costs of either in-house or contract performance.

5.6.8. If contract default occurs during the second or subsequent year of contract performance, the procedures of subparagraph 5.2.2. of this Instruction apply.

5.6.9. Grouping of Commercial Activities

5.6.9.1. The installation commander shall determine carefully which CAs should be grouped in a single solicitation. The installation commander should keep in mind that the grouping of CAs can influence the amount of competition (number of commercial firms that will bid or submit proposals) and the eventual cost to the Government.

5.6.9.2. The installation commander shall consider the adverse impacts that the grouping of CAs into a single solicitation may have on small and small disadvantaged business concerns. CAs being performed wholly by small or small

disadvantaged businesses will not be incorporated into a cost comparison unless consolidation is necessary to meet mission requirements. Actions must be taken to ensure that such contractors are not displaced merely to accomplish consolidation. Similarly, care must be taken so that nonincumbent small and small disadvantaged business contractors are not handicapped or prejudiced unduly from competing effectively at the prime contractor level.

5.6.9.3. In developing solicitations for CAs, the procurement plan should reflect an analysis of the advantages and disadvantages to the Government that might result from making more than one award. The decision to group CAs should reflect an analysis of all relevant factors including the following:

5.6.9.3.1. The effect on competition.

5.6.9.3.2. The duplicative management functions and costs to be eliminated through grouping.

5.6.9.3.3. The economies of administering multifunction vs. single function including cost risks associated with the pricing structure of each.

5.6.9.3.4. The feasibility of separating unrelated functional tasks or grouping.

5.6.9.3.5. The effect grouping will have on the performance of the functions.

5.6.9.4. When the solicitation package includes totally independent functions that are clearly divisible, severable, limited in number, and not price interrelated, they shall be solicited on the basis of an "any or all" bid or offer. Commercial bidders or offerers shall be permitted to submit bids or offers on one or any combination of the functions being solicited. These bids or offers shall be evaluated to determine the lowest aggregate contract cost to the Government. This lowest aggregate contract cost then will be compared to the in-house cost estimate based on the MEO for performance of the functions in the single solicitation. The procedures in enclosure 7 apply.

5.6.9.5. There are instances when this approach to contracting for CAs may not apply; such as, situations when physical limitations of site (where the activities are to be performed) preclude allowing more than one contractor to perform, when the function cannot be divided for purposes of performance accountability, or for other national security considerations. However, if an "all or none" solicitation is

issued, the decision to do so must include a cost analysis to reflect that the "all or none" solicitation is less costly to the Government or an analysis indicating it is otherwise in the best interest of the Government, all factors considered.

5.6.9.6. It is recognized that in some cases, decisions will result in the elimination of prime contracting opportunities for small business. In such cases special measures shall be taken. At a minimum, small and small disadvantaged business concerns shall be given preferential consideration by all competing prime contractors in the award of subcontracts. For negotiated procurements the degree to which this is accomplished will be a weighted factor in the evaluation and source selection process leading to contract award.

5.6.9.7. The contract files shall be documented fully to demonstrate compliance with these procedures.

5.6.10. If no bids or proposals, or no responsive or responsible bids or proposals are received in response to a solicitation, the in-house cost estimate shall remain unopened. The contracting officer shall examine the solicitation to ascertain why no responses were received. Depending on the results of this review, the contracting officer shall consider restructuring the requirement, if feasible, and reissue it under restricted or unrestricted solicitation procedures, as appropriate.

5.6.11. Continuation of an in-house CA for lack of a satisfactory commercial source will not be based upon lack of response to a restricted solicitation.

5.6.12. The guidance of subparagraph 5.2.6. applies to simplified cost comparisons and direct conversions of military personnel CAs.

5.6.13. To ensure that Bonds and/or Insurance requirements are being used in the best interest of the Government, as a general rule, requirements (for other than construction-related services) above the levels established in the FAR (reference (d)) and DFARS (reference (h)) should not be included in acquisitions.

5.7. Administrative Appeal Procedures

5.7.1. Appeals of Cost Comparison Decisions

5.7.1.1. Each DoD Component shall establish an administrative appeals procedure to resolve questions from directly affected parties relating to determinations resulting from cost comparisons performed in compliance with this Instruction. The appeal procedure will not apply to questions concerning the following:

5.7.1.1.1. Award to one contractor in preference to another;

5.7.1.1.2. DoD management decisions.

5.7.1.2. The appeals procedure is to provide an administrative safeguard to ensure that DoD Component decisions are fair, equitable, and in accordance with procedures in this Instruction. The procedure does not authorize an appeal outside the DoD Component or a judicial review.

5.7.1.3. The appeals procedure shall be independent and objective and provide for a decision on the appeal within 30 calendar days of receipt of the appeal. The decision shall be made by an impartial official at a level organizationally higher than the official who approved the cost comparison decision. The appeal decision shall be final, unless the DoD Component procedures provide for further discretionary review within the DoD Component.

5.7.1.4. All detailed documentation supporting the initial cost comparison decision shall be made available to directly affected parties upon request when the initial decision is announced. The detailed documentation shall include, at minimum, the following: the in-house cost estimate with detailed supporting documentation (see subparagraph 5.5.2. of this Instruction), the completed CCF, name of the tentative winning contractor (if the decision is to contract), or the price of the bidder whose bid or proposal would have been most advantageous to the Government (if the decision is to perform in-house). If the documentation is not available when the initial decision is announced, the time allotted for submission of appeals shall be extended the number of days equal to the delay.

5.7.1.5. To be considered eligible for review under the DoD Component appeals procedures, appeals shall:

5.7.1.5.1. Be received by the DoD Component in writing within 15 working days after the date the supporting documentation is made available to directly affected parties.

5.7.1.5.2. Address specific line items on the CCF and the rationale for questioning those items.

5.7.1.5.3. Demonstrate that the result of the appeal may change the decision.

5.7.2. Appeals of Simplified Cost Comparisons and Direct Conversions

5.7.2.1. Directly affected parties may appeal decision to convert to contract based on a simplified cost comparison involving 11 - 45 DoD civilian employees or a direct conversion involving 10 or fewer DoD civilian employees. The appeal must address reasons why fair and reasonable prices will not be obtainable

5.7.2.2. Each DoD Component shall establish an administrative appeal procedure that is independent and objective; Installation Commanders must make available, upon request, the documentation supporting the decision to directly convert activities; appeals of direct conversions must be filed within 30 calendar days after the decision is announced in the Commerce Business Daily and/or Federal Register, and the supporting documentation is made available; an impartial official one level organizationally higher than the official who approved the direct-conversion decision shall hear the appeal; officials shall provide an appeal decision within 30 calendar days of receipt of the appeal.

5.7.3. Since the appeal procedure is intended to protect the right of all directly affected parties, the DoD Component's procedures, as well as the decision upon appeal, will not be subject to negotiation, arbitration, or agreement.

5.7.4. DoD Components shall include administrative appeal procedures as part of their implementing documents.

5.8. Study Limits. No DoD funds shall be available to perform any cost study pursuant to the provisions of OMB Circular A-76 if the study being performed exceeds a period of 24 months after initiations of such study with respect to a single-function activity or 48 months after initiation of such study for a multi-function activity.

6. REPORTING REQUIREMENTS

6.1. Inventory and Review Schedule (Report Control Symbol DD-P&L(A)1540). See paragraph 5.1. of this Instruction.

6.2. Commercial Activities Management Information System (CAMIS) (Report Control Symbol DD-P&L(O)1542)

6.2.1. The purpose of CAMIS is to maintain an accurate DoD database of CAs that undergo an OMB Circular A-76, reference (c), cost comparison and CAs that

are converted directly to contract without a cost comparison. The CAMIS is used to provide information to the Congress, Office of Management and Budget (OMB), General Accounting Office (GAO), OSD, and others. The CAMIS is divided into two parts. Part I contains data on CAs that undergo cost comparison. Part II contains data on CAs converted to contract without a full-cost comparison.

6.2.2. The CAMIS report shall be submitted in accordance with the procedures in enclosure 9.

6.3. Congressional Data Reports on CA (Report Control Symbol DD-A&T(A&AR)1949) and Reports on Savings or Costs from Increased Use of DoD Civilian Personnel (Report Control Symbol DD-A&T(AR)1950). To ensure consistent application of the requirements stated in 10 U.S.C., Sections 2461 and 2463 (references (g)), the following guidance is provided:

6.3.1. The geographic scope of Section 2461 applies to the United States, its territories and possessions, the District of Columbia, and the Commonwealth of Puerto Rico.

6.3.2. Section 2461 applies to proposed conversions of DoD CAs that on October 1, 1980, were being performed by more than forty-five DoD civilian employees.

6.3.3. DoD Components must not proceed with a CA study until notification to Congress, when in session, as required by Section 2461 of title 10 (reference (g)). DoD Components shall notify the ASD(P&L) of any such intent at least 5 working days before congressional notification.

6.3.4. DoD Components shall annotate announcements to Congress when a cost comparison is planned at an activity listed in the report to Congress on Core Logistics (see subparagraph 5.2.1.1.2. of this Instruction).

6.3.5. The DoD Components shall notify Congress, when in session at least 5 working days before sending the detailed summary report required by Section 2461. The detailed summary of the cost shall include: the amount of the offer accepted for performance of the activity by private contractor; the costs and expenditures that the Government will incur because of the contract; the estimated cost of performance of the activity by the most efficient Government organization; a statement indicating the life of the contract; and certifications that the entire cost comparison is available, and that the Government calculation for the cost of performance of such function by DoD employees is based on an estimate of the most efficient and cost-effective organization

of such performance of such function by DoD employees.

6.3.6. The potential economic effect the employees affected, the local community, and the Federal Government of contracting for performance of the function shall be included in the report to accompany the above certifications, if more than 75 total employees (including military and civilian, both permanent and temporary) are potentially affected. It is suggested that the Army Corps of Engineers model (or equivalent) be used to generate this information. The potential impact on affected employees shall be included in the report, regardless of the number of employees involved. Also include in the report a statement that the decision was made to convert to contractor performance, the projected date of contract award, the projected contract start date, and the effect of contracting the function on the military mission of that function.

6.3.7. By December 15th of each year, each DoD Component shall submit to the ASD(P&L) the data required by Section 2461(c). In describing the extent to which CA functions were performed by DoD contractors during the preceding Fiscal Year, include the estimated number of workyears for the in-house operation as well as for contract operation (including percentages) by major OSD functional areas in enclosure 3; such as, Social Services, Health Services, Installation Services, etc. For the estimate of the percentage of CA functions that will be performed in-house and those that will be performed by contract during the Fiscal Year during which the report is submitted, include the estimated work years for in-house CAs as well as for contracted CAs and the rationale for significant changes when compared to the previous year's data. Also, include the number of studies you expect to complete in the next Fiscal Year showing total civilian and military FTEs.

7. RESPONSIBILITIES

The responsibilities for implementing the policies and procedures of the DoD CA Program are prescribed in DoD Directive 4100.15 (reference (b)) and appropriate subparagraphs of this Instruction.

8. EFFECTIVE DATE AND IMPLEMENTATION

This Instruction is effective immediately. Forward one copy of implementing documents to the Assistant Secretary of Defense for Economic Security within 120 days.



**DAVID J BERTEAU
PRINCIPAL DEPUTY ASD(P&L)**

Enclosures - 9

- E1. References, continued
- E2. Definitions
- E3. Codes and Definitions of Functional Areas
- E4. Commercial Activities Inventory Report and 5-Year Review Schedule
- E5. Part II of the Supplement to OMB Circular No. A-76 (Office of Federal Procurement Policy Pamphlet No.4), "Writing and Administering Performance Work Statements"
- E6. Part III of the Supplement to OMB Circular No. A-76, "Management Study Guide
- E7. Part IV of the Supplement to OMB Circular No. A-76, "Cost Comparison Handbook"
- E8. Simplified Cost Comparisons for Direct Conversion of Commercial Activities
- E9. Commercial Activities Management Information System

E1. ENCLOSURE 1

REFERENCES, continued

- (d) Federal Acquisition Regulation (FAR), 1990
- (e) [DoD Directive 4001.1](#), "Installation Management," September 4, 1986
- (f) DoD 4000.19-R, "Defense Regional Interservice Support (DRIS) Regulation" March 1984, authorized by DoD Directive 4000.19, October 14, 1980
- (g) Chapter 146 of title 10, United States Code, "Contracting for Performance of Civilian Commercial or Industrial-Type Functions"
- (h) Defense FAR Supplement (DFARS), December, 1991
- (i) Executive Order 12333, "United States Intelligence Activities," December 4, 1981
- (j) DoD 7200.10-M, "Department of Defense Accounting and Reporting of Government Property Lost, Damaged, or Destroyed," March 1991, authorized by DoD Instruction 7200.10, May 16, 1977
- (k) Section 7111 of title 5, United States Code, "Civil Service Reform Act of 1978"
- (l) [DoD Directive 5220.22](#), "DoD Industrial Security Program," December 8, 1980
- (m) DoD 5220.22-R, "Industrial Security Regulation," December 1988, authorized by [DoD Directive 5220.22](#), December 8, 1980
- (n) DoD 5220.2-R, "DoD Personnel Security Program Regulation," January 1980, authorized by [DoD Directive 5200.2](#), December 20, 1979
- (o) "The Javits-Wagner-O'Day Act," as amended, June 25, 1938 (41 U.S.C. 46 through 48c)
- (p) Section 637 of title 15, United States Code, "Small Business Act amendment of 1961"
- (q) [DoD Directive 1015.1](#), "Establishment, Management, and Control of Nonappropriated Fund Instrumentalities," August 19, 1981
- (r) DoD Instruction 4151.15, "Depot Maintenance Support Programming Policies," November 22, 1976
- (s) Sections 541-544 of title 40, United States Code, "Federal Property and Administrative Services Act of 1949"
- (t) DoD 500.12-M, "DoD Manual for Standard Data Elements," July 1989, authorized by DoD Directive 5000.12, April 1965
- (u) Office of Federal Procurement Policy Pamphlet No. 4, "A Guide for Writing and Administering Performance Statements of Work for Service Contracts," October 1980

- (v) Office of Management and Budget (OMB) Circular No. A-76, Transmittal Memorandum Nos. 1 through 14, "Performance of Commercial Activities," August 12, 1985; April 10, 1986; July 31, 1986; October 29, 1986; January 28, 1987; March 4, 1988; September 28, 1988; March 1, 1989; February 12, 1990; February 28, 1991; and March 19, 1992; March 26, 1993; March 2, 1994; and March 29, 1995
- (w) Section 1501, Chapter 19, of title 29, U.S.C., "Job Training Partnership Act of 1994"
- (x) Chapter 41 of title 5, U.S.C., "Federal Workforce Restructuring Act of 1994"
- (y) Section 8020 of Public Law 103-335, "The Defense Appropriations Act of 1995," September 30, 1994

E2. ENCLOSURE 2

DEFINITIONS

E2.1.1. Commercial Activity Review. The process of evaluating CAs for the purpose of determining whether or not a cost comparison will be conducted.

E2.1.2. Commercial Source. A business or other non-Federal activity located in the United States, its territories and possessions, the District of Columbia, or the Commonwealth of Puerto Rico, that provides a commercial product or service.

E2.1.3. Conversion to Contract. The changeover of a CA from performance of DoD personnel to performance under contract by a commercial source.

E2.1.4. Conversion to In-House. The changeover of a CA from performance under contract by a commercial source to performance by DoD personnel.

E2.1.5. Cost Comparison. The process of developing an estimate of the cost of performance of a CA by DoD employees and comparing it, in accordance with the requirements in this Instruction, to the cost to the Government for contract performance of the CA.

E2.1.6. Directly Affected Parties. DoD employees and their representative organizations and bidders or offerers on the solicitation.

E2.1.7. Displaced DoD Employee. Any DoD employee affected by conversion to contract operation (including such actions as job elimination, grade reduction or reduction in rank). It includes both employees in the function converted to contract and to employees outside the function who are affected adversely by conversion through reassignment or the exercise of bumping or retreat rights.

E2.1.8. DoD Commercial Activity (CA). An activity that provides a product or service obtainable (or obtained) from a commercial source. A DoD CA is not a governmental function. A DoD CA may be an organization or part of another organization. It must be a type of work that is separable from other functions or activities so that it is suitable for performance by contract. A representative list of the functions performed by such activities is provided in enclosure 3. A DoD CA falls into one of two categories:

E2.1.8.1. In-House CA. A DoD CA operated by a DoD Component with DoD personnel.

E2.1.8.2. Contract CA. A DoD CA managed by a DoD Component operated with contractor personnel.

E2.1.9. DoD Employee. Refers to only civilian personnel of the Department of Defense.

E2.1.10. DoD Governmental Function. A function that is related so intimately to the public interest as to mandate performance by DoD personnel. These functions require either the exercise of discretion in applying Government authority or the use of value judgment in making decisions for the Department of Defense. Services or products in support of governmental functions, such as those listed in enclosure 3, are CAs and are normally subject to DoD Directive 4100.15 (reference (b)) and its implementing instructions. Governmental functions normally fall into two categories:

E2.1.10.1. The act of governing; that is, the discretionary exercise of Government authority. Examples include criminal investigations, prosecutions, and other judicial functions; management of Government programs requiring value judgments, as in direction of the national defense; management and direction of the Armed Services; activities performed exclusively by military personnel who are subject to deployment in a combat, combat support, or combat services support role; conduct of foreign relations; selection or program priorities; direction of Federal employees; regulation of the use of space, oceans, navigable rivers, and other natural resources; direction of intelligence and counter-intelligence operations; and regulation of industry and commerce, including food and drugs.

E2.1.10.2. Monetary transactions and entitlements, such as tax collection and revenue disbursements; control of the treasury accounts and money supply; and the administration of public trusts.

E2.1.11. DoD Personnel. Refers to both military and civilian personnel of the Department of Defense.

E2.1.12. Expansion. The modernization, replacement, upgrading, or enlargement of a DoD CA involving a cost increase exceeding either 30 percent of the total capital investment or 30 percent of the annual personnel and material costs. A consolidation of two or more CAs is not an expansion unless the proposed total capital

investment or annual personnel and material costs of the consolidation exceeds the total of the individual CAs by 30 percent or more.

E2.1.13. New Requirement. A newly established need for a commercial product or service. A new requirement does not include interim in-house operation of essential services pending reacquisition of the services prompted by such action as the termination of an existing contract operation.

E2.1.14. Preferential Procurement Program. Preferential procurement programs are mandatory source programs such as Federal Prison Industries (FPI) and the workshops administered by the Committee for Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O'Day Act (reference (o)). Also included are small, minority and disadvantaged businesses, and labor surplus area set-asides and awards made under 15 U.S.C., Section 637 (reference (p)).

E3. ENCLOSURE 3

CODES AND DEFINITIONS OF FUNCTIONAL AREAS

This list of functional codes and their definitions does not restrict the applicability or scope of the CA Program within the Department of Defense. Section B. of DoD Directive 4100.15 (reference (b)) defines the applicability and scope of the program. The CA Program still applies to CAs not defined in this listing. These codes and definitions are a guide to assist reporting. As new functions are identified, codes will be added or existing definitions will be expanded.

SOCIAL SERVICES

G001 Care of Remains of Deceased Personnel and/or Funeral Services.

Includes CAs that provide mortuary services, including transportation from aerial port of embarkation (APOE) to mortuary of human remains received from overseas mortuaries, inspection, restoration, provision of uniform and insignia, dressing, flag, placement in casket, and preparation for onward shipment.

G008 Commissary Store Operation. Includes CAs that provide all ordering, receipt, storage stockage, and retailing for commissaries. Excludes procurement of goods for issue or resale.

G008A: Shelf Stocking.

G008B: Check Out.

G008C: Meat Processing.

G008D: Produce Processing.

G008E: Storage and Issue.

G008F: Other.

G008G: Troop Subsistence Issue Point.

G009 Clothing Sales Stores Operation. Includes CAs that provide ordering, receipt, storage, stockage, and retailing of clothing. Stores operated by the Army and

Air Force Exchange Services, Navy Exchange Services, and Marine Corps Exchange Services are excluded.

G010 Recreational Library Services. Includes operation of libraries maintained primarily for off-duty use by military personnel and their dependents.

G011 Other Morale, Welfare, and Recreation Services. Operation of CAs maintained primarily for the off-duty use of military personnel and their dependents, including both appropriated and partially nonappropriated fund activities. The operation of clubs and performing messes, and morale support activities are included in code G011. Examples of activities G011 functions are arts and crafts, entertainment, sports and athletics, swimming, bowling, marina and boating, stables, youth activities, centers, and golf. DoD Directive 1015.1 (reference (q)) contains amplification of the categories reflected below. (NOTE: CA procedures are not mandatory for functions staffed solely by civilian personnel paid by nonappropriated funds.)

G011A: All Category II nonappropriated Fund Instrumentalities (NAFIs), except Package Beverage Branch.

G011B: Package Beverage Branch.

G011C: All Category IIIa NAFIs.

G011D: All Category IIIb1, except Libraries

G011E: Category IIIb2 Arts and Crafts

G011F: Category IIIb2 Music & Theatre

G011G: Category IIIb2 Outdoor Recreation

G011H: Category IIIb2 Youth Activities

G011I: Category IIIb2 Child Development Service

G011J: Category IIIb2 Sports - Competitive

G011K: All Category IIIb3 except Armed Forces Recreation Center (AFRC) Golf, Bowling, and membership associations converted from Category VI

G011L: Category IIIb3 AFRC

VI

G011M: Category IIIb3 Golf

G011N: Category IIIb3 Bowling

G011O: Category IIIb3 membership association converted from Category

G011P: Category III Information Tour and Travel (ITT)

G011Q: All Category IV

G011R: All Category V

G011S: All Category VI, except those converted to Category IIIb3

G011T: All Category VII

G011U: All Category VIII, except billeting and hotels

G011V: Category VIII Billeting

G011W: Category VIII Hotels

G012 Community Services. DoD Directive 1015.1 (reference (q)) contains further amplification of the categories.

G012A: Information and Referral

G012B: Relocation Assistance

G012C: Exceptional Family Member

G012D: Family Advocacy (Domestic Violence)

G012E: Foster Care

G012F: Family Member Employment

G012G: Installation Volunteer Coordination

G012H: Outreach

G012I: Volunteer Management

G012J: Office Management

G012K: Consumer Affairs/Financial Assistance

G012L: General and Emergency Family Assistance

G900 Chaplain Activities and Support Services. Includes CAs that provide non-military unique support services that supplement the command religious program such as non-pastoral counseling, organists, choir directors, and directors of religious education. The command religious program, which includes chaplains and enlisted support personnel, is a governmental function and is excluded from this category.

G901 Berthing-BOQ/BEQ. Includes CAs that provide temporary or permanent accommodations for officer or enlisted personnel. Management of the facility, room service, and daily cleaning are included.

G904 Family Services. Includes CAs that perform various social services for families, such as family counseling, financial counseling and planning, the operation of an abuse center, child care center, or family aid center.

G999 Other Social Services. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

HEALTH SERVICES

H101 Hospital Care. Includes CAs that provide outpatient and inpatient care and consultative evaluation in the medical specialties, including pediatrics and psychiatry; the coordination of healthcare delivery relative to the examination, diagnosis, treatment, and disposition of medical inpatients.

H102 Surgical Care. Includes CAs that provide outpatient and inpatient care and consultative evaluation in the surgical specialties, including obstetrics, gynecology, ophthalmology and otorhinolaryngology; the coordination of healthcare delivery relative to the examination, treatment, diagnosis, and disposition of surgical patients.

H105 Nutritional Care. Includes CAs that provide hospital food services for

inpatients and outpatients, dietetic treatment, counseling of patients, and nutritional education.

H106 Pathology Services. Includes CAs involved in the operation of laboratories providing comprehensive clinical and anatomical pathology services; DoD military blood program and blood bank activities; and area reference laboratories.

H107 Radiology Services. Includes CAs that provide diagnostic and therapeutic radiologic service to inpatients and outpatients, including the processing, examining, interpreting, and storage and retrieval of radiographs, fluorographs, and radiotherapy.

H108 Pharmacy Services. Includes CAs that produce, preserve, store, compound, manufacture, package, control, assay, dispense, and distribute medications (including intravenous solutions) for inpatients and outpatients.

H109 Physical Therapy. Includes CAs that provide care and treatment to patients whose ability to function is impaired or threatened by disease or injury; primarily serve patients whose actual impairment is related to neuromusculoskeletal, pulmonary, and cardiovascular systems; evaluate the function and impairment of these systems, and select and apply therapeutic procedures to maintain, improve, or restore these functions.

H110 Materiel Services. Includes CAs that provide or arrange for the supplies, equipment, and certain services necessary to support the mission of the medical facility; responsibilities include procurement, inventory control, receipt, storage, quality assurance, issue, turn-in, disposition, property accounting, and reporting actions for designated medical and nonmedical supplies and equipment.

H111 Orthopedic Services. Includes CAs that construct orthopedic appliances such as braces, casts, splints, supports, and shoes from impressions, forms, molds, and other specifications.

H112 Ambulance Service. Includes CAs that provide transportation for personnel who are injured, sick, or otherwise require medical treatment, including standby duty in support of military activities and ambulance bus services.

H113 Dental Care. Includes CAs that provide oral examinations, patient education, diagnosis, treatment, and care including all phases of restorative dentistry, oral surgery, prosthodontics, oral pathology, periodontics, orthodontics, endodontics, oral hygiene, preventive dentistry, and radiodontics.

H114 Dental Laboratories. Includes CAs that operate dental prosthetic laboratories required to support the provision of comprehensive dental care; services may include preparing casts and models, repairing dentures, fabricating transitional, temporary, or orthodontic appliances, and finishing dentures.

H115 Clinics and Dispensaries. Includes CAs that operate freestanding clinics and dispensaries that provide healthcare services. Operations are relatively independent of a medical treatment facility and are separable for in-house or contract performance. Health clinics, occupational health clinics, and occupational health nursing offices.

H116 Veterinary Services. Includes CAs that provide a complete wholesomeness and quality assurance food inspection program, including sanitation, inspection of food received, surveillance inspections, and laboratory examination and analysis; a complete zoonosis control program; complete medical care for Government-owned animals; veterinary medical support for biomedical research and development; support to other Federal Agencies when requested and authorized; assistance in a comprehensive preventive medicine program; and determination of fitness of all foods that may have been contaminated by chemical, bacteriological, or radioactive materials.

H117 Medical Records Transcription. Includes CAs that transcribe, file, and maintain medical records.

H118 Nursing Services. Includes CAs that provide care and treatment for inpatients and outpatients not required to be performed by a doctor.

H119 Preventive Medicine. Includes CAs that operate wellness or holistic clinics (preventive medicine), information centers, and research laboratories.

H120 Occupational Health. Includes CAs that develop, monitor, and inspect installation safety conditions.

H121 Drug Rehabilitation. Includes CAs that operate alcohol treatment facilities, urine testing for drug content, and drug/alcohol counseling centers.

H999 Other Health Services. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

INTERMEDIATE, DIRECT, OR GENERAL REPAIR AND MAINTENANCE OF EQUIPMENT

Definition. Maintenance authorized and performed by designated maintenance CAs in support of using activities. Normally, it is limited to replacement and overhaul of unserviceable parts, subassemblies, or assemblies. It includes (1) intermediate/direct/general maintenance performed by fixed activities that are not designed for deployment to combat areas and that provide direct support of organizations performing or designed to perform combat missions from bases in the United States, and (2) any testing conducted to check the repair procedure. CAs engaged in intermediate/direct/general maintenance and/or repair of equipment are to be grouped according to the equipment predominantly handled, as follows:

J501 Aircraft. Aircraft and associated equipment. Includes armament, electronic and communications equipment, engines, and any other equipment that is an integral part of an aircraft.

J502 Aircraft Engines. Aircraft engines that are not repaired while an integral part of the aircraft.

J503 Missiles. Missile systems and associated equipment. Includes mechanical, electronics, and communication equipment that is an integral part of missile systems.

J504 Vessels. All vessels, including armament, electronics, communications and any other equipment that is an integral part of the vessel.

J505 Combat Vehicles. Tanks, armored personnel carriers, self-propelled artillery, and other combat vehicles. Includes armament, fire control, electronic, and communications equipment that is an integral part of a combat vehicle.

J506 Noncombat Vehicles. Automotive equipment, such as tactical, support, and administrative vehicles. Includes electronic and communications equipment that is an integral part of the noncombat vehicle.

J507 Electronic and Communications Equipment. Stationary, mobile, portable, and other electronic and communications equipment. Excludes electronic and communications equipment that is an integral part of another weapon/support system. Maintenance of Automatic Data Processing Equipment (ADPE) not an integral part of

a communications system shall be reported under functional code W825; maintenance of tactical ADPE shall be reported under function code J999.

J510 Railway Equipment. Locomotives of any type or gauge, including steam, compressed air, straight electric, storage battery, diesel electric, gasoline, electric, diesel mechanical locomotives, railway cars, and cabooses. Includes electrical equipment for locomotives and cars, motors, generators, wiring supplies for railway tracks for both propulsion and signal circuits, and on-board communications and control equipment.

J511 Special Equipment. Construction equipment, weight lifting, power, and materiel handling equipment (MHE).

J512 Armament. Small arms, artillery and guns, nuclear munitions, chemical, biological, and radiological (CBR) items, conventional ammunition, and all other ordnance items. Excludes armament that is an integral part of another weapon or support system.

J513 Dining Facility Equipment. Dining facility kitchen appliances and equipment.

J514 Medical and Dental Equipment. Medical and dental equipment.

J515 Containers, Textiles, Tents, and Tarpaulins. Containers, tents, tarpaulins, other textiles, and organizational clothing.

J516 Metal Containers. Container Express (CONEX) containers, gasoline containers, and other metal containers.

J517 Training Devices and Audiovisual Equipment. Training devices and audio-visual equipment. Excludes maintenance of locally fabricated devices and functions reported under codes T807 and T900.

J519 Industrial Plant Equipment. That part of plant equipment with an acquisition cost of \$3,000 or more, used to cut, abrade, grind, shape, form, join, test, measure, heat, or otherwise alter the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply processing, assembly, or research and development operations.

J520 Test, Measurement, and Diagnostic Equipment. Test, measurement, and diagnostic equipment (TMDE) that has resident in it a programmable computer. Included is equipment referred to as automated test equipment (ATE).

J521 Other Test, Measurement, and Diagnostic Equipment. Test, measurement, and diagnostic equipment not classified as ATE or that does not contain a resident programmable computer. Includes such items as electronic meters, armament circuit testers, and other specialized testers.

J522 Aeronautical Support Equipment. Aeronautical support equipment excluding TMDE (and ATE). Includes such items as ground electrical power carts, aircraft tow tractors, ground air conditioners, engine stands, and trailers. Excludes aeronautical equipment reported under J501.

J999 Other Intermediate, Direct, or General Repair and Maintenance of Equipment. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

DEPOT REPAIR, MAINTENANCE, MODIFICATION, CONVERSION, OR OVERHAUL OF EQUIPMENT

Definition. The maintenance performed on materiel that requires major overhaul or a complete rebuild of parts, assemblies, subassemblies, and end items, including the manufacture of parts, modifications, testing, and reclamation, as required. Depot maintenance serves to support lower categories of maintenance. Depot maintenance provides stocks of serviceable equipment by using more extensive facilities for repair than are available in lower level maintenance activities. (See DoD Instruction 4151.15 (reference (r)) for further amplification of the category definitions reflected below.) Depot or indirect maintenance functions are identified by the type of equipment maintained or repaired.

K531 Aircraft. Aircraft and associated equipment. Includes armament electronics and communications equipment, engines, and any other equipment that is an integral part of an aircraft. Aeronautical support equipment not reported separately under code K548.

K532 Aircraft Engines. Aircraft engines that are not repaired while an integral part of the aircraft.

K533 Messages. Missile systems and associated equipment. Includes mechanical electronic, and communications equipment that is an integral part of missile systems.

K534 Vessels. All vessels, including armament electronics, and communications equipment, and any other equipment that is an integral part of a vessel.

K535 Combat Vehicles. Tanks, armored personnel carriers, self-propelled artillery, and other combat vehicles. Includes armament, fire control, electronics, and communications equipment that is an integral part of a combat vehicle.

K536 Noncombat Vehicles. Automotive equipment, such as tactical support and administrative vehicles. Includes electronic and communications equipment that are an integral part of the vehicle.

K537 Electronic and Communications Equipment. Stationary, mobile, portable, and other electronics and communications equipment Excludes electronic and communications equipment that is an integral part of another weapon/support system. Maintenance of ADPE, not an integral part of a communications system, reported under functional code W825.

K538 Railway Equipment. Locomotives of any type or gauge, including steam, compressed air, straight electric, storage battery, diesel electric, gasoline, electric, diesel mechanical locomotives, railway cars, and cabooses. Includes electrical equipment for locomotives and cars, motors, generators, wiring supplies for railway tracks for both propulsion and signal circuits, and on-board communication and control equipment.

K539 Special Equipment. Construction equipment weight lifting, power, and materiel-handling equipment.

K540 Armament. Small arms; artillery and guns; nuclear munitions, CBR items; conventional ammunition; and all other ordnance items. Excludes armament that is an integral part of another weapon or support system.

K541 Industrial Plant Equipment. That part of plant equipment with an acquisition cost of \$3,000 or more, used to cut, abrade, grind, shape, form, join, test, measure, heat, or otherwise alter the physical, electrical, or chemical properties of materials, components, or end items entailed in manufacturing, maintenance, supply, processing, assembly, or research and development operations.

K542 Dining Facility Equipment. Dining facility kitchen appliances and equipment. This includes field feeding equipment.

K543 Medical and Dental Equipment. Medical and dental equipment.

K544 Containers, Textiles, Tents and Tarpaulins. Containers, tents, tarpaulins, and other textiles.

K545 Metal Containers. CONEX containers, gasoline containers, and other metal containers.

K546 Test Measurement and Diagnostic Equipment. Test measurement and diagnostic equipment (TMDE) that has resident in it a programmable computer. Included is equipment referred to as automated test equipment (ATE).

K547 Other Test Measurement and Diagnostic Test Equipment. Test measurement and diagnostic equipment not classified as ATE or that does not contain a resident programmable computer. Includes such items as electronic meters, armament circuit testers, and other specialized testers.

K548 Aeronautical Support Equipment. Aeronautical support equipment excluding TMDE and (ATE). Includes such items as ground electrical power carts, aircraft tow tractors, ground air conditioners, engine stands, and trailers. Excludes aeronautical support equipment reported under code K531.

K999 Other Depot Repair, Maintenance, Modification, Conversion, or Overhaul of Equipment. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

BASE MAINTENANCE/MULTIFUNCTION CONTRACTS

P100 Base Maintenance/multifunction Contracts. Includes all umbrella-type contracts where the contractor performs more than one function at one or more installations. (Identify specific functions as nonadd entries.)

RESEARCH, DEVELOPMENT, TEST, AND EVALUATION (RDT&E) SUPPORT

R660 RDT&E Support. Includes all effort not reported elsewhere directed

toward support of installation or operations required for research, development, test, and evaluation use. Included are maintenance support of laboratories, operation and maintenance of test ranges, and maintenance of test aircraft and ship

INSTALLATION SERVICES

S700 Natural Resource Services. Includes those CAs that provide products or services that implement natural resource management plans in the areas of fish, game, wildlife, forestry, watershed areas or ground water table, erosion control, and mineral deposit management. Natural resources planning and management is a governmental function and will not be reported.

S701 Advertising and Public Relations Services. Includes CAs responsible for advertising and public relations in support of public affairs offices, installation newspapers and publications, and information offices.

S702 Financial and Payroll Services. Includes CAs that prepare payroll, print checks, escrow, or change payroll accounts for personnel. Includes other services normally associated with banking operations.

S703 Debt Collection. Includes CAs that monitor, record, and collect debts incurred by overdrafts, bad checks, or delinquent accounts.

S706 Installation Bus Services. Includes CAs that operate local, intrapost, and interpost scheduled bus services. Includes scheduled movement of personnel over regular routes by administrative motor vehicles to include taxi and dependent school bus services.

S706A: Scheduled Bus Services.

S706B: Unscheduled Bus Services.

S706C: Dependent School Bus Services.

S706D: Other Bus Services.

S708 Laundry and Dry Cleaning Services. Includes CAs that operate and maintain laundry and dry cleaning facilities.

S709 Custodial Services. Includes CAs that provide janitorial and housekeeping services to maintain safe and sanitary conditions and preserve property.

S710 Pest Management. Includes CAs that provide control measures directed against fungi, insects, rodents, and other pests.

S712 Refuse Collection and Disposal Services. Includes CAs that operate incinerators, sanitary fills, and regulated dumps, and perform all other approved refuse collection and disposal services.

S713 Food Services. Includes CAs engaged in the operation and administration of food preparation and serving facilities. Excludes operation of central bakeries, pastry kitchens, and central meat processing facilities that produce a product and are reported under functional area X934. Excludes hospital food service operations (under code H105).

S713A: Food Preparation and Administration.

S713B: Mess Attendants and Housekeeping Services.

S714 Furniture. Includes CAs that repair and refurbish furniture.

S715 Office Equipment. Includes CAs that maintain and repair typewriters, calculators, and adding machines.

S716 Motor Vehicle Operation. Includes CAs that operate local administrative motor transportation services. Excludes installation bus services reported in functional area S706.

S716A: Taxi Service.

S716B: Bus Service (unless in S706).

S716C: Motor Pool Operation.

S716D: Crane Operation (includes rigging, excludes those listed in T800G).

S716E: Heavy Truck Operation.

S716F: Construction Equipment Operation.

S716I: Driver/Operator Licensing & Test.

S716J: Other Vehicle Operations (Light Truck/Auto).

S716K: Fuel Truck Operations.

S716M: Tow Truck Operations.

S717 Motor Vehicle Maintenance. Includes CAs that perform maintenance on automotive equipment, such as support and administrative vehicles. Includes electronic and communications equipment that are an integral part of the vehicle.

S717A: Upholstery Maintenance and Repair.

S717B: Glass Replacement and Window Repair.

S717C: Body Repair and Painting.

S717D: Accessory Overhaul.

S717E: General Repairs/Minor Maintenance.

S717F: Battery Maintenance and Repair.

S717G: Tire Maintenance and Repair.

S717H: Major Component Overhaul.

S717I: Material Handling Equipment Maintenance.

S717J: Crane Maintenance.

S717K: Construction Equipment Maintenance.

S717L: Frame and Wheel Alignment.

S717M: Other Motor Vehicle Maintenance.

S718 Fire Prevention and Protection. Includes CAs that operate and maintain fire protection and preventive services. Includes routine maintenance and repair of fire equipment and the installation of fire prevention equipment.

S718A: Fire Protection Engineering.

S718B: Fire Station Administration.

S718C: Fire Prevention.

S718D: Fire Station Operations.

S718E: Crash and Rescue.

S718F: Structural Fire Suppression.

S718G: Fire & Crash/Rescue Equipment Major Maintenance.

S718H: Other Fire Prevention and Protection.

S719 Military Clothing. Includes CAs that order, receive, store, issue, and alter military clothing and repair military shoes. Excludes repair of organizational clothing reported under code J515.

S724 Guard Service. Includes CAs engaged in physical security operations that provide for installation security and intransit protection of military property from loss or damage.

S724A: Ingress and egress control. Regulation of person, material, and vehicles entering or exiting a designated area to provide protection of the installation and Government property.

S724B: Physical security patrols and posts. Mobile, and static physical security guard activities that provide protection of installation or Government property.

S724C: Conventional arms, ammunition, and explosives (CAAE) security. Dedicated security guards for CAAE.

S724D: Animal control. Patrolling for, capture of, and response to complaints about uncontrolled, dangerous, and disabled animals on military installations.

S724E: Visitor information services. Providing information to installation resident and visitors about street, agency, unit, and activity locations

S724F: Vehicle impoundment. Removal, accountability, security, and processing of vehicles impounded on military installations.

S724G: Registration functions. Administration, filing, processing, and

retrieval information about privately owned items that must be registered on military installations.

S724S: Other guard service.

S725 Electrical Plants and Systems. Includes CAs that operate, maintain, and repair Government-owned electrical plants and systems.

S726 Heating Plants and Systems. Includes CAs that operate, maintain, and repair Government-owned heating plants and systems over 750,000 British Thermal Unit (BTU) capacity. Codes Z591 or Z992 will be used for systems under 750,000 BTU capacity, as applicable.

S727 Water Plants and Systems. Includes CAs that operate, maintain, and repair Government-owned water plants and systems.

S728 Sewage and Waste Plants and Systems. Includes CAs that operate, maintain, and repair Government-owned sewage and waste plants and systems.

S729 Air Conditioning and Refrigeration Plants. Includes CAs that operate, maintain, and repair Government-owned air conditioning and refrigeration plants over 5-ton capacity. Codes Z991 or Z992 shall be used for plants under 5-ton capacity as applicable.

S730 Other Services or Utilities. Includes CAs that operate, maintain, and repair other Government-owned services or utilities.

S731 Base Supply Operations. Includes CAs that operate centralized installation supply functions providing supplies and equipment to all assigned or attached units. Performs all basic supply functions to determine requirements for all requisition, receipt, storage, issuance, and accountability for materiel.

S732 Warehousing and Distribution of Publications. Includes CAs that receive, store, and distribute publications and blank forms.

S740 Installation Transportation Office. Includes technical, clerical, and administrative CAs that support traffic management services related to the procurement of freight and passenger service from commercial "for hire" transportation companies. Excludes restricted functions that must be performed by Government employees such as the review, approval, and signing of documents related to the obligation of funds; selection of mode or carrier; evaluation of carrier performance; and carrier

suspension. Excludes installation transportation functions described under codes S706, S716, S717, T810, T811, T812, and T814.

S740A: Installation Transportation Management and Administration.

S740B: Materiel Movements.

S740C: Personnel Movements.

S740D: Personal Property Activities.

S740E: Quality Control and Inspection.

S740F: Unit Movements.

S750 Museum Operations

S760 Contractor-Operated Parts Stores and Contractor-Operated Civil Engineering Supply Stores

S999 Other Installation Services. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

OTHER NONMANUFACTURING OPERATIONS

T800 Ocean Terminal Operations. Includes CAs that operate terminals transferring cargo between overland and sealift transportation. Includes handling of Government cargo through commercial water terminals.

T800A: Pier Operations. Includes CAs that provide stevedore and shipwright carpentry operations supporting the loading, stowage, and discharge of cargo and containers on and off ships, and supervision of operations at commercial piers and military ocean terminals.

T800B: Cargo Handling Equipment. Includes CAs that operate and maintain barge derricks, gantries, cranes, forklifts, and other materiel handling equipment used to handle cargo within the terminal area.

T800C: Port Cargo operations: Includes CAs that load and unload railcars

and trucks, pack, repack, crate, warehouse, and store cargo moving through the terminal, and stuff and unstuff containers.

T800D: Vehicle Preparation. Includes CAs that prepare Government and privately owned vehicles (POVs) for ocean shipment, inspection, stowage in containers, transportation to pier, processing, and issue of import vehicles to owners.

T800E: Lumber Operations. Includes CAs that segregate reclaimable lumber from dunnage removed from ships, railcars, and trucks; remove nails; even lengths; inspect; and return the lumber to inventory for reuse. Includes receipt, storage, and issue of new lumber.

T800F: Materiel Handling Equipment (MHE) Operations. Includes CAs that deliver ME to user agencies, perform onsite fueling, and operate special purpose and heavy capacity equipment.

T800G: Crane Operations. Includes CAs that operate and perform first echelon maintenance of barge derricks, gantries, and truck-mounted cranes in support of vessels and terminal cargo activities.

T800H: Breakbulk Cargo Operations. Includes CAs that provide stevedoring, shipwright carpentry, stevedore transportation, and the loading and unloading of noncontainerized cargo.

T800I: Other Ocean Terminal Operations.

T801 Storage and Warehousing. Includes CAs that receive materiel into depots and other storage and warehousing facilities, provide care for supplies, and issue and ship materiel. Excludes installation supply in support of unit and tenet activities described in S731.

T801A: Receipt. Includes CAs that receive supplies and related documents and information. This includes materiel handling and related actions, such as materials segregation and checking, and tallying incident to receipt.

T801B: Packing and Crating of Household Goods. Includes CAs performing packing and crating operations described in T801H, incident to the movement or storage of household goods.

T801C: Shipping. Includes CAs that deliver stocks withdrawn from storage to shipping. Includes onloading and offloading of stocks from transportation

carriers, blocking, bracing, dunnage, checking, allying, and materiel handling in central shipping area and related documentation and information operations.

T801D: Care, Rewarehousing, and Support of Materiel. Includes CAs that provide for actions that must be taken to protect stocks in storage, including physical handling, temperature control, assembly placement and preventive maintenance of storage aids, and realigning stock configuration; provide for movement of stocks from one storage location to another and related checking, tallying, and handling; and provide for any work being performed within general storage support that cannot be identified clearly as one of the subfunctions described above.

T801E: Preservation and Packaging. Includes CAs that preserve, represerve, and pack materiel to be placed in storage or to be shipped. Excludes application of final (exterior) shipping containers.

T801F: Unit and Set Assembly and Disassembly. Includes CAs that gather or bring together items of various nomenclature (parts, components, and basic issue items) and group, assemble, or restore them to or with an item of another nomenclature (such as parent end item or assemblage) to permit shipment under a single document. This also includes blocking, bracing, and packing preparations within the inner shipping container; physical handling and loading; and reverse operation of assembling such units.

T801G: Special Processing of Non Stock Fund-Owned Materiel. Includes CAs performing special processing actions described below that must be performed on Inventory Control Point (ICP)-controlled, nonstock fund-owned materiel by technically qualified depot maintenance personnel, using regular or special maintenance tools or equipment. Includes disassembly or reassembly or reserviceable ICP-controlled materiel being readied for movement, in-house storage, or out-of-house location such as a port to a commercial or DoD-operated maintenance or storage facility, property disposal or demilitarization activity, including blocking, bracing, cushioning, and packing.

T801H: Packing and Crating. Includes CAs that place supplies in their final, exterior containers ready for shipment. Includes the nailing, strapping, sealing, stapling, masking, marking, and weighing of the exterior container. Also, includes all physical handling, unloading, and loading of materiel within the packing and shipping area; checking and tallying material in and out; all operations incident to packing, repacking, or recrating for shipment, including on-line fabrication of tailored boxes, crates, bit inserts, blocking, bracing and cushioning shrouding, overpacking,

containerization, and the packing of materiel in transportation containers. Excludes packing of household goods and personnel effects reported under code T801B.

T801I: Other Storage and Warehousing.

T802 Cataloging. Includes CA that prepare supply catalogs and furnish cataloging data on all items of supply for distribution to all echelons worldwide. Include catalog files, preparation, and revision of all item identifications for all logistics functions; compilation of Federal catalog sections and allied publication; development of Federal item identification guides, and procurement identification descriptions. Includes printing and publication of Federal supply catalogs and related allied publications.

T803 Acceptance Testing. Includes CAs that inspect and test supplies and materiel to ensure that products meet minimum requirements of applicable specifications, standards, and similar technical criteria; laboratories and other facilities with inspection and test capabilities; and activities engaged in production acceptance testing of ammunition, aircraft armament, mobility material, and other military equipment.

T803A: Inspection and Testing of Oil and Fuel

T803B: Other Acceptance Testing.

T804 Architect-Engineering Services. Includes Cas that provide Architect/Engineer (AIE) services. Excludes Engineering Technical Services (ETS) reported in functional area T813, and those required under Title 40 U.S.C. (reference (s)).

T805 Operation of Bulk Liquid Storage. Includes CAs that operate bulk petroleum storage facilities. Includes operation of off-vessel discharging and loading facilities, fixed and portable bulk storage facilities, pipelines, pumps, and other related equipment within or between storage facilities or extended to using agencies (excludes fueling services); handling of drums within bulk fuel activities. Excludes aircraft fueling services reported under code T814.

T806 Printing and Reproduction. Includes CAs that print, duplicate, and copy. Excludes user-operated office copying equipment

T807 Audiovisual and Visual Information Services. Includes CAs that provide base audiovisual (AV) and visual information (VI) support, production, depositories, technical documentation, and broadcasting.

T807A: Base VI Support. Includes CAs that provide production activities that provide general support to all installation, base, facility or site, organizations or activities. Typically, they supply motion picture still photography, television and audio recording for nonproduction documentary purposes, their laboratory support, graphic arts, VI libraries, and presentation services.

T807B: AV Production. Includes CAs that provide a self-contained, complete presentation, developed according to a plan or script, combining sound with motion media (film, tape or disk) for the purpose of conveying information to, or communicating with, an audience. (An AV production is distinguished from a VI production by the absence of combined sound and motion media in the latter.)

T807C: VI Depositories. Includes CAs that are especially designed and constructed for the low-cost and efficient storage and furnishing of reference service on semicurrent records pending their ultimate disposition. Includes records centers.

T807D: VI Technical Documentation. Includes CAs that provide a technical documentation (TECDOC) which is a continuous visual recording (with or without sound as an integral documentation component) of an actual event made for purposes of evaluation. Typically, TECDOC contributes to the study of human or mechanical factors, procedures and processes in the context of medicine, science logistics, research, development, test and evaluation, intelligence, investigations and armament delivery.

T807E: Electronic Media Transmission. Includes CAs that transmit and receive audio and video signals for closed circuit local and long distance multi-station networking and broadcast operations.

T807F: VI Documentation. Includes CAs that provide motion media (film or tape) still photography and audio recording of technical and nontechnical events, as they occur, usually not controlled by the recording crew. VI documentation (VIDOC) encompasses operational Documentation (OPDOC) and TECDOC. OPDOC is VI (photographic or electronic) recording of activities, or multiple perspectives of the same activity, to convey information about people, places and things.

T807G: AV Central Library (Inventory Control Point). Includes CAs that

receive, store, issue, and maintain AV products at the central library level. May or may not include records center operations for AV products.

T807H: AV or VI Design Service. Includes CAs that provide professional consultation services involving the selection, design, and development of AV or VI equipment or facilities.

T808 Mapping and Charting. Includes CAs that design, compile, print and disseminate cartographic and geodetic products.

T809 Administrative Telephone Service. Includes CAs that operate and maintain the common-user, administrative telephone systems at DoD installations and activities. Includes telephone operator services; range communication; emergency action consoles; and the cable distribution portion of a fire alarm, intrusion detection, emergency monitoring and control data, and similar systems that require use of a telephone system.

T810 Air Transportation Services. Includes CAs that operate and maintain nontactical aircraft that are assigned to commands and installations and used for administrative movement of personnel and supplies.

T811 Water Transportation Services. Includes CAs that operate and maintain nontactical watercraft that are assigned to commands and installations and are used for administrative movement of personnel and supplies.

T811A: Water Transportation Services (except tug operations).

T811B: Tug Operations.

T812 Rail Transportation Services. Includes CAs that operate and maintain nontactical rail equipment assigned to commands and installation and used for administrative movement of personnel and supplies.

T813 Engineering and Technical Services. Includes CAs that advise, instruct, and train DoD personnel in the installation, operation, and maintenance of DoD weapons, equipment, and systems.

These services include transmitting the technical skill capability to DoD personnel in order for them to install, maintain, and operate such equipment and keep it in a high state of military readiness.

T813A: Contractor Plant Services. Includes commercial manufacturers of military equipment contracted to provide technical and engineering services to DoD personnel. Qualified employees of the manufacturer furnish these services in the manufacturer plants and facilities. Through this program, the special skills, knowledge, experience, and technical data of the manufacturer are provided for use in training, training aid programs, and other essential services directly related to the development of the technical capability required to install, operate, maintain, supply, and store such equipment.

T813B: Contract Field Services (CFS). Includes CAs that provide services of qualified contractor personnel who provide onsite technical and engineering services to DoD personnel.

T813C: In-house Engineering and Technical Services. Includes CAs that provide technical and engineering services described in codes T813A and T813B, above, that are provided by Government employees.

T813D: Other Engineering and Technical Services.

T814 Fueling Service (Aircraft). Includes CAs that distribute aviation petroleum/oil/lubricant products. Includes operation of trucks and hydrants.

T815 Scrap Metal Operation. Includes CAs that bale or shear metal scrap and melt or sweat aluminum scrap.

T816 Telecommunication Centers. Includes CAs that operate and maintain telecommunication centers, nontactical radios, automatic message distribution systems, technical control facilities, and other systems integral to the communication center. Includes operations and maintenance of air traffic control equipment and facilities.

T817 Other Communications and Electronics Systems. Includes CAs that operate and maintain communications and electronics systems not included in T809 and T816.

T818 Systems Engineering and Installation of Communications Systems. Includes CAs that provide engineering and installation services, including design and drafting services associated with functions specified in T809, T816, and T817.

T819 Preparation and Disposal of Excess and Surplus Property. Includes CAs that accept, classify, and dispose of surplus Government property, including scrap metal.

T820 Administrative Support Services. Includes CAs that provide centralized administrative support services not included specifically in another functional category. These activities render services to multiple activities throughout an organization or to multiple organizations; such as, a steno or typing pool rather than a secretary assigned to an individual. Typical activities included are word processing centers, reference and technical libraries, microfilming, messenger service, translation services, publication distribution centers, etc.

T820A: Word Processing Centers.

T820B: Reference and Technical Libraries.

T820C: Microfilming.

T820D: Internal Mail and Messenger Services.

T820E: Translation Services.

T820F: Publication Distribution Centers.

T820G: Field Printing and Publication. Includes those activities that print or reproduce official publications, regulations, and orders. Includes management and operation of the printing facility.

T820H: Compliance Auditing.

T820I: Court Reporting.

T821 Special Studies and Analyses. Includes CAs that perform research, collect data, conduct time-motion studies, or pursue some other planned methodology in order to analyze a specific issue, system, device, boat, plane, or vehicle for management. Such activities may be temporary or permanent in nature.

T821A: Cost Benefit Analyses.

T821B: Statistical Analyses.

T821C: Scientific Data Studies.

T821D: Regulatory Studies.

T821E: Defense, Education, Energy Studies.

T821F: Legal/Litigation Studies.

T821G: Management Studies.

T900 Training Devices and Simulators. Includes CAs that provide training aids, devices, simulator design, fabrication, issue, operation, maintenance, support, and services.

T900A: Training Aids, Devices, and Simulator Support. Includes CAs that design, fabricate, stock, store, issue, receive, and account for and maintain training aids, devices, and simulators. (Does not include audiovisual production and associated services or audiovisual support.)

T900B: Training Device and Simulator Operation. Includes CAs that operate and maintain training device and simulator systems.

T999 Other Nonmanufacturing Operations.

EDUCATION AND TRAINING

Includes CAs that conduct courses of instruction attended by civilian or military personnel of the Department of Defense. Terminology of categories and subcategories primarily for military personnel (marked by an asterisk) follows the definitions of the statutory Military Manpower Training Report submitted annually to the Congress. This series includes only the conduct of courses of instruction; it does not include education and training support functions (that is, Base Operations Functions in the S series and Nonmanufacturing Operations in the T series). A course is any separately identified instructional entity or unit appearing in a formal school or course catalog.

U100 Recruit Training.* The instruction of recruits.

U200 Officer Acquisition Training.* Programs concerned with officer acquisition training.

U300 Specialized Skill Training.* Includes Army One-Station Unit Training, Naval Apprenticeship Training, and healthcare training.

U400 Flight Training.* Includes flight familiarization training.

U500 Professional Development Education.*

U510 Professional Military Educations.* Generally, the, conduct of instruction at basic, intermediate, and Senior Military Service schools and colleges and enlisted leadership training does not satisfy the requirements of the definition of a DoD CA and is excluded from the provision of this Instruction.

U520 Graduate Education, Fully Funded, Full-Time.*

U530 Other Full-Time Education Programs.*

U540 Off-Duty (Voluntary) and On-Duty Education Programs.* Includes the conduct of Basic Skills Education Program (BSEP), English as a Second Language (ESL), skill development courses, graduate, undergraduate, vocational/technical, and high school completion programs for personnel without a diploma.

U600 Civilian Education and Training. Includes the conduct of courses intended primarily or civilian personnel.

U700 Dependent Education. Includes the conduct of elementary and secondary for the dependents of DoD overseas personnel.

U800 Training Development and Support (not reported elsewhere)

U999 Other Training. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

AUTOMATIC DATA PROCESSING

W824 Data Processing Services. Includes CAs that provide ADP processing services by using Government-owned or -leased ADP equipment; or participating in Government-wide ADP sharing program; or procuring of time-sharing processing services (machine time) from commercial sources. Includes all types of data processing services performed by general purpose ADP and peripheral equipment.

W824A: Operation of ADP Equipment.

W824B: Production Control and Customer Service.

W824C: ADP Magnetic Media Library.

W824D: Data Transcription/Data Entry Services.

W824E: Transmission and Teleprocessing Equipment Services.

W824F: Acceptance Testing and Recovery Systems.

W824G: Punch Card Processing Services.

W824H: Other ADP Operations and Support.

W825 Maintenance of ADP Equipment. Includes CAs that maintain and repair all Government-owned ADP equipment and peripheral equipment.

W826 Systems Design, Development, and Programming Services. Includes CAs that provide software services associated with nontactical ADP operation.

W826A: Development and Maintenance of Applications Software.

W826B: Development and Maintenance of Systems Software.

W827 Software Services for Tactical Computers and Automated Test Equipment. Includes CAs that provide software services associated with tactical computers and TMDE and ATE hardware.

W999 Other Automatic Data Processing. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

PRODUCTS MANUFACTURED AND FABRICATED IN-HOUSE

Commercial activities that manufacture and/or fabricate products in-house are grouped according to the products predominantly handled as follows:

X931 Ordnance Equipment. Ammunition and related products.

X932 Products Made from Fabric or Similar Materials. Including the assembly and manufacture of clothing, accessories, and canvas products.

X933 Container Products and Related Items. Including the design, engineering, and manufacture of wooden boxes, crates, and other containers; includes the fabrication of fiberboard boxes, and assembly of paperboard boxes with metal straps. Excludes on-line fabrication of boxes and crates reported in functional area T801.

X934 Food and Bakery Products. Including the operation of central meat processing plants, pastry kitchens, and bakery facilities. Excludes food services reported in functional areas S713 and H105.

X935 Liquid, Gaseous, and Chemical Products. Including the providing of liquid oxygen and liquid nitrogen.

X936 Rope, Cordage, and Twine Products; Chains and Metal Cable Products.

X937 Logging and Lumber Products. Logging and sawmill operations.

X938 Communications and Electronic Products.

X939 Construction Products. The operation of quarries and pits, including crushing, mixing, and concrete and asphalt batching plants.

X940 Rubber and Plastic Products.

X941 Optical and Related Products.

X942 Sheet Metal Products.

X943 Foundry Products.

X944 Machined Parts.

X999 Other Products Manufactured and Fabricated In-House. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

MAINTENANCE, REPAIR, ALTERATION OR CONSTRUCTION OF REAL PROPERTY

Z991 Buildings and Structures--Family Housing. Includes CAs that are engaged in exterior and interior painting and glazing; roofing, interior plumbing; interior electric; interior heating equipment, including heat sources under 750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration under a 5-ton capacity; elevators; and other equipment affixed as part of the building and not included in other activities. Includes fencing, flagpoles, and other miscellaneous structures associated with family housing.

Z991A: Rehabilitation--Tenant Change.

Z991B: Roofing.

Z991C: Glazing.

Z991D: Tiling.

Z991E: Exterior Painting.

Z991F: Interior Painting.

Z991G: Flooring.

Z991H: Screens, Blinds, etc.

Z991I: Appliance Repair.

Z991J: Electrical Repair. Includes elevators, escalators, and moving walks.

Z991K: Plumbing.

Z991L: Heating Maintenance.

Z991M: Air Conditioning Maintenance.

Z991N: Emergency/Service Work.

Z991T: Other Work.

Z992 Buildings and Structures (Other Than Family Housing). Includes CAs that are engaged in exterior and interior painting and glazing; roofing, interior plumbing; interior electric; interior heating equipment, including heat sources under

750,000 BTU capacity; installed food service and related equipment; air conditioning and refrigeration under a 5-ton capacity; elevators; and other equipment affixed as part of the building and not reported under other functional codes. Includes fencing, flagpoles, guard and watchtowers, grease racks, unattached loading ramps, training facilities other than buildings, monuments, grandstands and bleachers, elevated garbage racks, and other miscellaneous structures.

Z992A: Rehabilitation--Tenant Change.

Z992B: Roofing.

Z992C: Glazing.

Z992D: Tiling.

Z992E: Exterior Painting.

Z992F: Interior Painting.

Z992G: Flooring.

Z992H: Screens, Blinds, etc.

Z992I: Appliance Repair.

Z992J: Electrical Repair. Includes elevators, escalators, and moving walkways.

Z992K: Plumbing.

Z992L: Heating Maintenance.

Z992M: Air Conditioning Maintenance.

Z992N: Emergency/Service Work.

Z992T: Other Work.

Z993 Grounds and Surfaced Areas. Commercial activities that maintain, repair, and alter grounds and surfaced areas defined in codes Z993A, B, and C, below.

Z993A: Grounds (Improved). Includes improved grounds, including

lawns, drill fields, parade grounds, athletic and recreational facilities, cemeteries, other ground areas, landscape and windbreak plants, and accessory drainage systems.

Z993B: Grounds (Other than Improved). Small arms ranges, antenna fields, drop zones, and firebreaks. Also grounds such as wildlife conservation areas, maneuver areas, artillery ranges, safety and security zones, desert, swamps, and similar areas.

Z993C: Surfaced Areas. Includes airfield pavement, roads, walks, parking and open storage areas, traffic signs and markings, storm sewers, culverts, ditches, and bridges. Includes sweeping and snow removal from streets and airfields.

Z997 Railroad Facilities. Includes CAs that maintain, repair, and alter narrow and standard gauge two-rail tracks, including spurs, sidings, yard, turnouts, frogs, switches, ties, ballast, and roadbeds, with accessories and appurtenances, drainage facilities, and trestles.

Z998 Waterways and Waterfront Facilities. Includes CAs that maintain, repair, and alter approaches, turning basin, berth areas and maintenance dredging, wharves, piers, docks, ferry racks, transfer bridges, quays, bulkheads, marine railway dolphins, mooring, buoys, seawalls, breakwaters, causeways, jetties, revetments, etc. Excludes waterways maintained by the Army Corps of Engineers(COE) rivers and harbors programs. Also excludes buildings, grounds, railroads, and surfaced areas located on waterfront facilities.

Z999 Other Maintenance, Repair, Alteration, and Minor Construction of Real Property. This code will only be used for unusual circumstances and will not be used to report organizations or work that can be accommodated under a specifically defined code.

E4. ENCLOSURE 4COMMERCIAL ACTIVITIES INVENTORY REPORT AND
FIVE-YEAR REVIEW SCHEDULEA. GENERAL INSTRUCTIONS

1. Forward your inventory reports before 1 January to the Director, Installations Management, 400 Army Navy Drive, Room 206, Arlington VA 22202-2884. Use Report Control Symbol "DD-A&T(A)1540" as your authority to collect this data.

2. Transmit by use of floppy diskette. Data files must be in American Standard Code Information Interchange text format on a MicroSoft-Disk Operating Utility Energy Reporting System as specified below.

3. Data Format: IN-HOUSE DoD COMMERCIAL ACTIVITIES

<u>DATA ELEMENT DATA</u>	<u>DISK POSITIONS</u>	<u>FIELD</u>	<u>TYPE 1</u>
Designator	1	A	A
Installation		A1	
-State, Territory, or Possession	2-3	A1a	N
-Place	4-9	A1b	A/N
+Function	10-14	A2	A/N
In-House Civilian Workload	15-20	A3	N
Military Workload	21-26	A4	N
+Reason for In-House Operation	49	A8	A
+Most Recent Year In-House Operation Approved	50-51	A9	N
+Year DoD CA Scheduled for Next Review	52-53	A10	N
Installation Name	76-132	A11	A

¹A = Alpha; N = Numeric. A and A/N data shall be left justified, space filled, N data right justified and zero filled.

+Items marked with a cross (+) have been registered in the DoD Data Element Dictionary.

4. When definite coding instructions are not provided, reference must be made to DoD 5000.12-M (reference (t)). Failure to follow the coding instructions contained in this document, or those published in reference (t) makes the DoD Component responsible for noncompliance of concessions in database communication.

B. ENTRY INSTRUCTIONS

FIELD INSTRUCTION

- A Enter an A to designate that the data to follow on this record pertains to a particular DoD CA.
- Ala Enter the two-position numeric code for State (Data element reference ST-GA) or U.S. territory or possession as shown in attachment 4-1-1.
- A1b Enter the unique alpha-numeric code established by the DoD Component for military installation, named populated place, or related entity when the CA workload was performed during the Fiscal Year covered by this submission. A separate look-up listing or file should be provided showing each unique place code and its corresponding place name.
- A2 Enter the function code from enclosure 3 that best describes the type of CA workload principally performed by the CA covered by this submission. Left justify.
- A3 Enter total (full- and part-time) in-house civilian workyear equivalents applied to the performance of the function during the Fiscal Year. Round off to the nearest whole workyear equivalent. (If amount is equal to or greater than 5, round up. If amount is less than 5, round down. Amounts between zero and 0.9 should be entered as one.) Right justify. Zero fill.
- A4 Enter total military workyear equivalents applied to the performance of the function during the Fiscal Year. Round off to the nearest whole workyear equivalent. (Amounts between zero and 0.9 should be entered as one.) Right justify. Zero fill.
- A8 Enter the reason for in-house operation of the CA, as shown in Enclosure 4, Attachment 1 and Enclosure 4, Attachment 2..
- A9 Enter the last two digits of the most recent Fiscal Year corresponding to the reason for in-house operation of the CA, as stated in Field A8.
- A10 Enter the last two digits of the Fiscal Year the function is scheduled for study or next review. (Data element reference YE-NA.)
- A11 Enter the named populated place, or related entity, where the CA workload as performed.

Attachments - 2

E4.A1. Codes for Denoting States, Territories, and Possessions of the United States

E4.A2. Codes for Denoting Compelling Reasons for In-house Operations of Planned Changes in Method of Performance

E4.A1. ATTACHEMENT 1 TO ENCLOSURE 4CODES FOR DENOTING STATES, TERRITORIES, AND POSSESSIONS OF THE
UNITED STATES

a. NUMERIC STATE CODES (Data element reference ST-GA)

CODE

01	Alabama	30	Montana
02	Alaska	31	Nebraska
04	Arizona	32	Nevada
05	Arkansas	33	New Hampshire
06	California	34	New Jersey
08	Colorado	35	New Mexico
09	Connecticut	36	New York
10	Delaware	37	North Carolina
11	District of Columbia	38	North Dakota
12	Florida	39	Ohio
13	Georgia	40	Oklahoma
15	Hawaii	41	Oregon
16	Idaho	42	Pennsylvania
17	Illinois	44	Rhode Island
18	Indiana	45	South Carolina
19	Iowa	46	South Dakota
20	Kansas	47	Tennessee
21	Kentucky	48	Texas
22	Louisiana	49	Utah
23	Maine	50	Vermont
24	Maryland	51	Virginia
25	Massachusetts	53	Washington
26	Michigan	54	West Virginia
27	Minnesota	55	Wisconsin
28	Mississippi	56	Wyoming
29	Missouri		

b. NUMERIC CODES FOR TERRITORIES AND POSSESSIONS (FIPS 55-2)

60	American Samoa	75	Trust Territory of the Pacific Islands
66	Guam	76	Navassa Island
69	Northern Marianna Islands	78	Virgin Islands
71	Midway Islands	79	Wake Island
72	Puerto Rico	81	Baker Island
		86	Jarvis Island
		89	Kingman Reef
		95	Palmyra Atoll

E4.A2. ATTACHMENT 2 TO ENCLOSURE 4CODES FOR DENOTING COMPELLING REASONS FOR IN-HOUSE
OPERATIONS OF PLANNED CHANGES IN METHOD OR PERFORMANCE1. PERFORMANCE (for entry in field A8)

<u>CODE</u>	<u>EXPLANATION</u>
A	Indicates that the DoD CA has been retained in-house for national defense reasons in accordance with subparagraph 5.2.1.1. of this Instruction, other than CAs reported under code "C" below.
C	Indicates that the DoD CA is retained in-house because the CA is essential for training or experience in required military skills, or the CA is needed to provide appropriate work assignments for a rotation base for overseas or sea-to-shore assignments, or the CA is necessary to provide career progression to a needed military skill level in accordance with subparagraph 5.2.1.1.1. of this Instruction.
D	Indicates procurement of a product or service from a commercial source would cause an unacceptable delay or disruption of an essential DoD program.
E	Indicates that there is no satisfactory commercial source capable of providing the product or service needed.
F	Indicates that a cost comparison has been conducted and that the Government is providing the product or service at a lower total cost as a result of a cost comparison.
G	Indicates that the CA is being performed by DoD personnel now, but decision to continue in-house or convert to contract is pending results of a scheduled cost comparison.
H	Indicates that the CA is being performed by DoD employees now, but will be converted to contract because of cost comparison results.
I	Indicates that the CA is being performed by DoD hospital and, in the best interest of direct patient care, is being retained in-house.
K	Indicates that the CA is being performed by DoD employees now, but a decision has been made to convert to contract for reasons other than cost.
N	Indicates that the CA is performed by DoD employees now, but a review is in progress pending a decision. (i.e., base closure, realignment, or consolidation.)
X	Indicates that the Installation Commander is not scheduling this CA for cost study under the provisions of congressional authority.
Y	Indicates that the CA is retained in-house because the cost study exceeded the time limit prescribed by law.
Z	Indicates that the CA is retained in-house for reasons not included above. (i.e., a law, Executive order, treaty, or international agreement.)

2. USE OF OTHER CODES. Other codes may be assigned as designated by the ODASD(I).

E5. ENCLOSURE 5

This enclosure will contain the verbatim text of Part II of the Supplement to the Office of Management and Budget Circular No. A-76 (Revised) of August 4, 1983 (reference (c)). In the interim, DoD Components shall utilize Office of Federal Procurement Policy Pamphlet No. 4 (reference (u)). DoD Components shall comply with Part II and the guidance contained in paragraph 5.3.2. of this Instruction.

Part II

WRITING AND ADMINISTERING PERFORMANCE WORK STATEMENTS

**Supplement
OMB Circular No. A-76
Performance of Commercial Activities**

NOTE:

Part II of the Supplement will be Office of Federal Procurement Pamphlet No. 4, "Writing and Administering Performance Work Statements," issued in October 1980 (reference (u)). We are in the process of editing and clarifying the pamphlet and will publish a notice in the Federal Register when the final version is available. No major procedural changes are anticipated to be made.

E6. ENCLOSURE 6

This enclosure contains the verbatim text of Part III of the Supplement to the Office of Management and Budget Circular No. A-76 (Revised) of August 4, 1983 (reference (c)). DoD Components shall comply with Part III and the guidance contained in paragraph 5.3.2. of this Instruction.

Part III

MANAGEMENT STUDY GUIDE

**Supplement
OMB Circular No. A-76
Performance of Commercial Activities**

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PART III -- COMMERCIAL ACTIVITIES (CA)

MANAGEMENT STUDY GUIDE

Chapter 1 -- General

A. OVERVIEW

The CA management study is mandatory (see Part I, Chapter 2, Paragraph E.1.). It seeks to identify essential functions to be performed, determine performance factors and determine organization structure, staffing and operating procedures for the most efficient and effective in-house performance of the commercial activity. The new Government organization becomes the basis of the Government estimate for the cost comparison with potential contractors. In this context, "efficient" (or cost effective) means that the required level of workload (output, as described in the performance work statement) is accomplished with as is required little resource consumption (input) as possible without degradation in the quality level of products or services. Resources consumed may include personnel, time, dollars, supplies, equipment and energy. Effectiveness compares what an activity or group of people actually accomplish in relation to an assigned mission.

B. SCOPE

Most agencies have formal programs and training for the performance of management efficiency studies, and those programs would be appropriate for conducting CA management studies. This guide does not purport to replace the agencies own management techniques, but merely to establish the basic criteria and the interrelationship between the management study and the performance work statement.

C. TIMING

1. The CA management study and development of the Performance Work Statement (PWS) are normally performed concurrently. A job analysis, described in Part II of this Supplement (PWS) is conducted as the initial step in development or adaptation of the PWS. This analysis must be accomplished as the initial stages of the management study. This will ensure that the management study evaluates the most efficient organization based on the outputs, standards, and management flexibility to be included in the PWS, and not on the old methods and procedures.

2. The PWS, which is developed to describe the output performance standards of the organization under study, should be written to provide the maximum possible amount of flexibility to managers to accomplish the job. This should include eliminating compliance with past regulations and procedures when more efficient and cost effective ways are known and adequate performance standards are developed. The management study then develops the most efficient organization, taking into account the management flexibility provided by the PWS.

3. The PWS does not need to be completely written before the management study is complete, but the major decisions on performance standards and whether compliance with the old procedures is mandatory must be made before the most efficient organization can be developed. A routine, scheduled management study effort one to two years in advance of a projected CA cost study can provide the opportunity to identify essential mission requirements, determine performance factors, establish staffing standards, investigate and implement long lead time opportunities such as capital investment programs, test alternative organizations, establish reporting systems for workload and staff hours, highlight problem areas and generate staffing and dollar savings.

D. STUDY TEAM

The management study, ideally, is a team effort which utilizes the talents of individuals with expertise in management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, cost analysis, contracting and the technical aspects of the functional area under study. The objective of the management study team is to find new, innovative, creative ways to provide the required products or services.

E. CA MANAGEMENT STUDY PRINCIPLES

1. The management study must reflect the best efforts of the activity to improve the operations of the area under study, with a primary emphasis on the definition of what must be done (mission of the activity) and the best way of doing it (methods improvement). The best way to accomplish the essential mission may involve changed procedures, revised paper flow, restructuring of the organization, reconfiguration of facilities, equipment changes, elimination or downgrade of positions and other techniques in order to provide the same quantity and quality of service with the smallest possible consumption of resources.

2. The most efficient and cost effective in-house organization may include a recommendation to reduce staffing requirements through consolidating organizations, activities or functions; eliminating redundant supervision/functions/tasks, decreasing hierarchical levels; reducing clerical and other support positions, increasing the span of control and eliminating nonessential positions. If the management study identifies a need for fewer people in the activity, support areas should also be investigated for reduced support requirements.

3. The people at the local level designated to perform the management study should be given freedom to be innovative and creative and develop a new organization to meet the quantity and quality standards of the old organization without constraints on their thinking, except for areas covered by law. Senior management may impose restrictions after evaluating the original concept.

F. DOCUMENTATION

The management study is a major management analytical evaluation of an organization to determine if the job can be accomplished in a more economical manner. The results of the study will be used to develop the Government cost to compare with contractor cost to provide the product or service. The results of the management study must be documented to show the development and extent of the analytical process and to record the new Government organization. The Exhibit to this Part provides a suggested format for documenting the management study. The format is not mandatory; however, the management study documentation must include a discussion of all applicable areas covered in the suggested format. The document will be the basis on which the agency certifies that the Government cost estimate is based on the most efficient and cost effective operation practicable.

PART III -- COMMERCIAL ACTIVITIES (CA)

MANAGEMENT STUDY GUIDE

Chapter 2 -- Study Methods

OVERVIEW

Specific techniques used in CA management studies can range the entire spectrum of work measurement, value engineering, methods improvement, organizational analysis, position management and systems and procedures analysis. In some cases, capital investment programs may be available to make the function more productive. (These programs should be pursued as quickly as possible because long acquisition lead time may be required.) The techniques chosen depend on the type of function involved and the data, time and analysts available. Some of the techniques are outlined below; however, details on application of the techniques may be obtained from many management textbooks. Two useful, complete works are the Army publication, DA Pamphlet 5-4-1, and the Air Force publication, FR 25-5, Volume II.

ANALYSIS TECHNIQUES

There are several specialized analysis techniques which can identify problem areas, duplication of effort, layering of supervision, lost motion, need for delegation, inefficient methods, etc. These include flow process charting, layout analysis, systems and procedures analysis, process measurement analysis, work distribution analysis, linear responsibility charting, functional model and PERT.

TECHNICAL ESTIMATES

This method may be used when there is insufficient time or expertise available for more precise techniques. The technical estimate requires informed objective judgments by analysts and functional personnel. Staffing by technical estimate may also include directed positions required by law and regulation. Measurement methods such as timing a good operator or examination of historical experience may be used to assist in the development of a technical estimate. The basis or reasoning used for the technical estimate should be described in the study.

STATISTICAL TECHNIQUES

Statistical techniques generally use historical data to generate projections of workload and staffing. They are useful where historical workload and staff hour data are available or can be developed. Statistical techniques offer rapid coverage and accurate projections of staffing and workload. This data can provide a useful use from which to compare the savings of new ways of doing the job. They should be used in conjunction with the PWS as the basis to develop the Government cost estimate.

PART III -- COMMERCIAL ACTIVITIES (CA)

MANAGEMENT STUDY GUIDE

Chapter 3 -- Performance Indicators in the Management Study

A. OVERVIEW

The performance requirements of the PWS are developed during the initial job analysis phase of the study when the PWS is being written or adapted. However, these requirements pertain only to final outputs and assume that the contractor will develop and operate an organization to meet these performance requirements. Therefore, it may be necessary for the study team to develop performance indicators for functions below the final output level to assist in development of the in-house organization.

B. PERFORMANCE INDICATORS -- IN-HOUSE ESTIMATE

Performance indicators required for development of the in house organization should be established at the same time the performance indicators for the PWS are developed. This will ensure that there are no discrepancies or omissions that would inflate or deflate the in-house organization in regard to the required outputs. The most direct way of evaluating performance is to count output units and compare to some predetermined requirement. Similarly, resource requirements can be predicted by comparing average outputs per person to projected workload. In some cases, output measures, which are easily counted are difficult or impossible to obtain. In all cases, however, indicators of performance can be devised. These performance indicators should reflect the quantitative, as well as qualitative, aspects of organizational output. When quantitative measures are infeasible, other measures, such as effectiveness, timeliness or quality, should be used.

C. TYPES OF PERFORMANCE INDICATORS

Performance indicators generally useful in CA management studies are of five types: quantitative, qualitative, timeliness, effectiveness, and cost.

1. Quantitative. Measure of level of effort or work actually performed. Examples include number of windows repaired, job orders completed, items issued and lines typed.
2. Qualitative. Measure of how well outputs were produced against a standard. Examples include item reject rates, number of customer complaints and accidents per mile. Many times the qualitative standard must be a written description of the results of the work.
3. Timeliness. Measure of the average elapsed time to complete a work unit compared to a requirement. Examples are: response time, average time to effect supply issue, average time between submission of a work request and completion of work.
4. Effectiveness. Measure of mission performance. Includes such measures as percent of items inoperable due to nonavailability of repair parts, equipment deadline rates, pest infestation rate and percent of eligibles utilizing a service.
5. Total Cost. This is an indirect measure of activity performance applicable when there is no other adequate measure or when a major managerial responsibility is to contain costs of performance. Costs can be measured on a total or unit cost basis. Cost should seldom be used, as the competitive process of the cost comparison will result in the lowest cost to do the job described in the PWS.

SUGGESTED FORMAT FOR DOCUMENTING MANAGEMENT STUDY

MANAGEMENT STUDY OF ____ (Function) ____, ____ (Installation) ____

1. Purpose:

a. To develop the optimum organizational structure to accomplish essential (title of function) function(s).

b. To determine and document the specific management improvements on which the optimum structure is based.

2. Current Operations:

(This section describes the authorized organization and operations at the start of the management study. The most current of each of the below should be included).

a. Mission Statement

b. Organization Chart(s)

c. Responsibility of Essential Functions

d. Operation Procedures

e. Staffing Authorization and Position Structure Documents

f. Technology Utilized

g. Workload Data

h. Personnel Analysis

i. Material Analysis

j. Equipment Analysis

k. Facility Analysis

3. Discussion:

(In this section the current organization and operations are discussed and compared to possible new ways of doing the work. The study's methodology employed is described, and the results and conclusions of the analysis are presented. Rationale for recommendations in paragraph 4 should evolve from the conclusions presented here. Each of the below topics should be addressed.)

- a. Mission. (Discuss the current mission and any anticipated changes.)
- b. Organization. (Is the structure appropriate to its mission, function, internal conditions and environment?)
- c. Responsibility. (Is authority and accountability properly balanced in the organization's hierarchical structure?)
- d. Operation Procedures. (Is the system integrated, and does it efficiently utilize people, material, and equipment?)
- e. Staffing Authorization. (Discuss the alternate staffing patterns.)
- f. Position Structure. (Is the structure the most effective and economical based on work to be performed -- see OMB Circular A-64, "Position Management Systems and Employment Ceilings.")
- g. Technology Review. (Are available labor-saving systems being employed?)
- h. Workload Data. (Discuss the current workload and any anticipated changes.)
- i. Material Analysis. (Discuss current and future amounts and types of material.)
- j. Facility Analysis. (Is type and location of the work area conducive to smooth performance?)

4. Recommendations:

(The argument for the optimum structure is made here with references to relevant paragraphs in the Discussion section and Appendices. The description of the recommended organization should include the following proposed items.)

- a. Mission

- b. Organization Chart(s)
- c. Responsibility of Essential Functions
- d. Operation Procedures
- e. Manpower Authorization Documents
- f. Technology Review
- g. Workload
- h. Personnel
- i. Material
- j. Equipment
- k. Facilities

5. Analysis of Resources Impact:

(This section portrays the effect of the recommendations upon the overall organization resources. The following areas should be addressed.)

- a. Funding. (Personnel savings, costs for new equipment, total savings to Government.)
- b. Personnel. (Number of grades and spaces increased/decreased.)
- c. Equipment and Facilities. (Cost for those recommended and projected savings from their utilization.)

E7. ENCLOSURE 7

This enclosure contains the verbatim text of Part IV of the Supplement of the Office of Management and Budget Circular No. A-76 (Revised)of August 4,1983 (reference (c)). DoD Components shall comply with Part IV and the guidance in paragraph 5.3.2. of this Instruction. All of the amendments of the Circular, provided by OMB Transmittal Memorandums (reference (v)), need to be incorporated in this enclosure. Appendix D has been replaced in its entirety. (The tables and examples are for guidance and do not reflect the current factors to be applied.)

Part IV

COST COMPARISON HANDBOOK

**Supplement
OMB Circular No. A-76
Performance of Commercial Activities**

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PART IV -- COST COMPARISON HANDBOOK

Chapter 1 -- General

A. PURPOSE

This revised Cost Comparison Handbook implements the policy and requirements of OMB Circular No.A-76. As prescribed in the Circular, the Handbook must be used by Federal Agencies to ensure cost studies will be fair, reasonable and consistent. The Handbook provides detailed instructions for developing a comprehensive comparison of the estimated cost to the Government of acquiring a service by contract and of providing the service with in-house Government resources. The procedures set forth in this Handbook recognize the absence of intended to establish a practical level of consistency and uniformity to assure all substantive factors are considered when making cost comparisons.

B. ORGANIZATION OF THE HANDBOOK

1. This Handbook is organized by the major subjects which must be considered when developing in-house and contract cost estimates. Generally, these subjects follow the line-by-line progression of the Cost Comparison Form (Illustration 1-1). Each line is explained in sufficient detail to include computations which must be made and documentation which must be retained to support the cost study.

2. Chapter 2 describes the procedures to develop the cost of Government performance of the function under study. Chapter 3 describes the procedures to develop the cost of contract performance of the function under study. Chapter 4 provides procedures for computing the minimum conversion differential and determining the cost comparison decision. Chapter 5 addresses the special requirements for expansions, new requirements, and conversions to in-house. Four appendices have been added to support the cost comparison process and are identified in the Table of Contents.

C. OVERVIEW OF THE PROCESS

1. General

The completed cost study will provide reasonable estimates of the cost of

alternative courses of action. To assure a fair and equitable comparison, in-house cost estimates must be based on the same scope of work provided in the performance work statement and include estimates of all significant and measurable costs.

2. Procedure

a. Preparation of the Performance Work Statement (PWS) is critical since it is the basis for the cost comparison. It must be sufficiently comprehensive to ensure that in-house or contract performance will satisfy Government requirements. The PWS should clearly state what is to be done without describing how it is to be done. The PWS should describe the output requirements of the in-house operation, including all responsibilities and the requirements for facilities, equipment and material. It should also provide performance standards and a quality assurance plan to ensure a comparable level of performance for either an in-house or contract operation.

b. Soon after the PWS is initially developed, the Task Group must complete a management study to determine the most efficient and effective organization for Government performance of the PWS. The current workforce, materials, equipment and facilities, and procedures will be analyzed and adjusted to appropriate levels. To be efficient, the activity workload must be accomplished with as few resources as possible. To be effective, an organization must be able to successfully accomplish the mission at the required standard of performance. The "Management Study Guide," Part II of this Supplement, is an example of an approach to the management study. The PWS and the results of the management study are then used to prepare the in-house estimate.

c. The in-house estimate must be based-on the same PWS used in the contract solicitation. In addition, it must be developed on the premise that costs which would continue at the same level regardless of the method of performance (in-house or contract) will not be computed. When the PWS and resulting in-house cost estimate for an existing Government activity are based on any variation from current operations; e.g., scope of work, staffing, materials or equipment, such variations must be consistent with agency manpower and personnel regulations and must be coordinated with the agency's budget office. The step-by-step procedure for developing the in-house cost estimate is in Chapter 2 of this Handbook.

d. When the PWS has been completed, firm bids or proposals will be solicited in accordance with the acquisition strategy. Use of formal advertising with firm fixed price bids is preferred. However, proposals should be requested for competitive negotiations when this method would be more suitable and is warranted

under current procurement regulations with fixed price incentive contracts preferred. It is essential that the invitation for bids or request for proposals provide for a common standard of performance that permits an equitable comparison of Government and contract costs for performing the same work.

e. After costs of in-house performance and costs of contract performance (other than costs dependent on contract price) have been estimated, the Cost Comparison Form (CCF) must be signed and dated by the person responsible for its preparation. If the study was prepared by a Task Group, the chairperson of the Task Group signs the CCF. At this stage, the contract price is still unknown.

f. The estimates of in-house and contract costs which can be computed prior to the cost comparison must be reviewed by a qualified activity, independent of the Task Group preparing the cost comparison study. This will be done prior to submission of the CCF and supporting data (see Part I, Chapter 2, paragraph H) to the contracting officer. The purpose of the independent review is to ensure costs have been estimated and supported in accordance with provisions of the Circular and this Handbook. If no (or only minor) discrepancies are noted during this review, the reviewer indicates the discrepancies, signs, dates, and returns the CCF to the preparer. If significant discrepancies are noted during the review, the discrepancies will be reported to the preparer for recommended correction and resubmission. Following the independent review, the preparer submits to the contracting officer the CCF and supporting data in a sealed and identified envelope. This must be done by the required submission date for bids or proposals.

g. The confidentiality of all cost data, including the contract price, must be maintained to ensure that Government and contract cost figures are completely independent. For example, the contracting officer will not know the in-house cost estimate until the cost comparison is accomplished at bid opening date.

h. For advertised procurements, the following procedures apply:

(1) At the time of public bid opening, the contracting officer and the preparer of the in-house cost estimate open the bids (as well as the Government in-house cost estimate) and enter the price of the apparent low bidder on the CCF. After the contract price is entered, the preparer completes the CCF. The contracting officer shall announce the results, subject to evaluation of bids for responsiveness, responsibility and resolution of possible appeals and protests. The completed CCF and supporting data shall be made available to affected parties for review at this time. The appeal period (see Part I, Chapter 2, Paragraph I) begins at this time.

(2) If, after the evaluation of bids and pre-award determinations of responsiveness and responsibility, the selected bidder is other than the previously announced apparent low bidder, then the CCF will be revised. All affected parties will notified of any such revision.

(3) The final decision for performance in-house or by contract shall be announced as required by agency procedures.

i. For negotiated procurements, use the procedures for advertised procurements, except as follows:

(1) After selection of the most advantageous proposal, the contracting officer and the preparer of the in-house cost estimate open the Government in-house cost estimate, complete the CCF and compare the alternative costs. The cost comparison must be made prior to the public announcement.

(2) If the cost comparison results in a tentative decision to convert to contract, the contracting officer notifies the contractor that an award will be made if the contracting alternative is still more economical than in-house performance after completion of the public review period, plus any additional time required pursuant to the appeal procedures. If necessary, the contractor must extend the proposal acceptance period 60 days to cover the appeal period. The contracting officer publically announces the apparent results of the cost comparison for the information of all directly affected parties. This public announcement includes a notice that formal supporting documentation (see Part I, Chapter 2, Paragraph I) is available for review by directly affected parties.

(3) Affected parties must also be informed that performance by contractor or by in-house personnel is contingent upon completion of the review period, plus any additional time required pursuant to the appeal procedures.

ILLUSTRATION 1-1

Agency _____ Location _____ Function _____

COST COMPARISON FORM

In-House vs. Contract Performance

<u>In-House Performance Costs</u>	<u>Performance Periods</u>				<u>Total</u>	<u>Reference</u>
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Add'l</u>		
1. Personnel Cost						
2. Material & Supply Cost						
3. Other Specifically Attributable Costs						
4. Overhead Cost						
5. Additional Costs						
6. Total In-house Costs	_____	_____	_____	_____	_____	
<u>Contract Performance Costs</u>						
7. Contract Price						
8. Contract Administration						
9. Additional Costs						
10. One-time Conversion Costs						
11. Gain or Loss on Disposal/ Transfer of Assets						
12. Federal Income Tax (Deduct)	()	()	()	()	()	
13. Total Contract Costs	_____	_____	_____	_____	_____	

Decision

14. Conversion Differential _____
15. Total (Line 13 & 14) _____
16. Cost Comparison (Line 15 minus Line 6) _____

Do the cost comparison calculation only for the total column.

Positive result on Line 16 supports decision to accomplish function in-house.

17. Cost Comparison Decision (check block) / / Accomplish In-House
 / / Accomplish by Contract

	<u>Name/Title/Organization</u>	<u>Signature</u>	<u>Date</u>
In-House Estimate Prepared By:	_____	_____	_____
In-House Estimate Reviewed By:	_____	_____	_____
Cost Comparison Accomplished By:	_____	_____	_____
Cost Comparison Reviewed By:	_____	_____	_____
Cost Comparison Decision Approved By:	_____	_____	_____

PART IV -- COST COMPARISON HANDBOOK

Chapter 2 -- Developing the Cost of Government Performance

A. INTRODUCTION

1. General

This Chapter discusses the procedures for developing the specifically attributable, overhead and additional costs associated with in-house performance of a commercial activity. Specifically attributable costs are incurred 100 percent by the function under study and are discussed in Paragraphs D through F. Overhead costs are less than 100 percent attributable to the function under study and are discussed in paragraph G. Additional costs are discussed in paragraph H. If the cost comparison is an expansion, new requirement or conversion to in-house operation, refer to Chapter 5 before proceeding. The in-house performance cost will be based on the same level of effort and description of work as identified to the contractor in the performance work statement (PWS) and other solicitation documents. The estimated costs of the function under study will be based upon the following:

- Personnel Cost
- Materials and Supply Costs
- Other Specifically Attributable Costs
 - Depreciation
 - Rent
 - Maintenance and Repair
 - Insurance
 - Utilities
 - Travel
 - Other Costs
- Overhead Costs

- Operations Overhead
- General and Administrative Overhead
- Additional Costs

Cost comparison studies will consider all significant costs both for Government and contract performance and will be based on the PWS and management study. However, costs that would be the same for either in-house or contract operation shall not be computed, but must be identified by type of cost and included in the cost comparison documentation.

2. Rounding Rule

Round all line entries in the CCF to the nearest dollar. Drop 1 to 49 cents and add one dollar for 50 cents to 99 cents.

3. Proration of Performance Periods

When the period of performance is less than a full year, prorate all cost elements except one time costs (line 10) over the number of months in the performance period.

4. Documentation

a. The cost comparison study must be documented to provide a record of information to support the entries for each line of the cost study. The cost elements involving common costs which are not entered on the CCF will be identified and documented. Address each line of the CCF and provide rationale for including or excluding specific costs. To the maximum extent possible, the documentation must support the cost study without further explanation. The documentation must enable a reviewer to track the computations from start to finish. Several worksheets are provided in the Handbook to facilitate computation and documentation.

b. On the CCF, under the column "reference," for each line of the CCF, show the page number of the attached documentation which supports that line.

B. RELATIONSHIP TO THE BUDGET

In general, the PWS standards and workload estimates and resulting cost estimates must be consistent with agency budget guidance covering the period of

performance. This ensures economic assumptions and guidance developed for the agency are used when developing the cost study. Cost estimates for expansions or conversions of existing contracts to in-house performance must be prepared in accordance with budget guidance. This may require additional work since these options may not be in the projected agency budget. The budget implications must also be considered for the overhead organizations. The key consideration is whether the budgets of these organizations would be revised if the mode of operation of the function under study is changed.

C. INFLATION

1. Agencies will annually provide the inflation guidance used in pricing the President's Budget for all activities performing cost comparison studies.

2. In preparing cost estimates of in-house and contract performance, all known or anticipated increases to be incurred before the end of the first period of performance; e.g., salary increases for Government employees, must be included in each element of cost. Accordingly, it will not be necessary to further adjust the costs of the first period of performance for inflation. For subsequent periods, the cost of anticipated changes in the scope of work prescribed in the PWS must be determined. Inflation factors for pay and non-pay categories will then be applied to the estimated cost of the first year of performance. There are some exceptions to inflation which will be discussed later: personnel costs subject to economic price adjustment clauses (e.g., Service Contract Act, Davis-Bacon Act, etc.), depreciation costs for facilities and equipment, and cost of minor items.

3. To calculate projected out-year costs based on inflation, proceed as, follows:

a. Determine the amount of each element of cost that is affected by inflation during each period of performance. For each period, ensure the number of months in the period and changes to the PWS have been considered. This applies only to recurring costs. Non-recurring costs must be excluded.

b. Multiply the amount of the element of cost determined for each period of performance by the respective salary/wage or material cost inflation factors for the applicable period of performance.

c. Once adjusted for inflation, enter the total cost of that CCF line item in the column corresponding to the appropriate period of performance.

- d. Show calculations in the formal documentation.

D. PERSONNEL COST -- Line 1

1. This line includes personnel costs for accomplishing the requirements specified in a PWS for the function under study. Included are salaries, wages, fringe benefits, and other entitlements. To determine personnel costs, two steps are required: Development of an in-house staffing estimate; and determination of personnel costs based on the in-house staffing estimate.

2. In-House Staffing Estimate. Development of the in-house staffing estimate is a crucial step of the cost comparison process. The staffing estimate describes the most efficient and effective organization to accomplish requirements specified in the PWS.

a. The first step in developing a staffing estimate is to analyze the PWS to identify requirements needed to accomplish the tasks set forth in the PWS. Generally, requirements should be expressed in terms of productive work hours. This analysis will provide the basis for identifying changes in organizational structure, work methods, and numbers and types of employees required to accomplish the PWS in the most efficient and economical manner.

b. A variety of tools may be used to determine the in-house staffing estimate. These tools include manpower standards, staffing guides, prior experience, similar operations at other locations, actual work measurement and informed judgment. Generally, a combination of these tools will be used. However, it is important that the estimated workload be based on the PWS and not necessarily on the current workload, staffing or work methods. If an existing manpower standard or staffing guide is used, it may be necessary to make upward or downward adjustments. The adjustments are necessary because existing standards or guides may be based on work elements or performance standards or describe work methods which may not be appropriate to accomplish the workload described in the PWS. If current staffing patterns are used, similar upward or downward adjustments may also be needed.

c. Once PWS workload requirements have been determined, the next step is to design an organizational configuration and position structure which will best meet the PWS workload. This structure must conform to agency budgetary, regulatory and personnel guidance. In the event that the cost study results in a decision to perform the activity in-house rather than by contract, implementation of the in-house staffing

estimate must be initiated within one month after cancelation of the solicitation and completely implemented within six months following this decision.

d. The new organization and position structure should arrange the PWS workload in the most efficient manner. The workload should be divided according to skill levels required. Supervisory and administrative support requirements (not a part of operations overhead) should be included. Also, consideration must be given to: multi-skilled positions to fully utilize employees; the best mix of work schedules for accomplishing the workload; i.e., full-time, part-time, and intermittent; and the use of overtime when appropriate for unscheduled, seasonal or peak workloads. In developing an appropriate position structure, position descriptions may have to be written. Participation of classification specialists in the personnel office should be obtained to ensure proper structuring (design) of positions according to pay plan; i.e., General Schedule (GS), Federal Wage System (FWS), other occupational series and grade. The analysts and task group should approach this task as if all current positions are to be abolished. As the PWS describes the output standards of the current job, most current positions will not be affected; however, his theoretical approach will help in developing the most efficient, effective organization. These decisions should be made during the management study. The new organization, as defined in the management study, is priced out in this phase of the cost comparison process.

e. When productive work hours are used as a starting point, these work hours need to be converted to full-time equivalents (FTEs). For full-time and part-time positions, estimate total hours required by skill and divide by 1,744 annual available hours to determine the number of positions required. For intermittent positions to be expressed in FTEs, estimate total hours required by skill and divide by 2,015 annual available hours to determine the number of positions required. (The annual available hours exclude annual leave, sick leave, administrative leave, training and other nonproductive hours. The two factors result from differences in the applicability of such nonproductive time between types of positions.) An example of how to convert PWS workload to personnel requirements follows:

EXAMPLE

Based upon the PWS, the maintenance/electrician requirements for the function under study total 8,448 annual productive hours. Due to the nature of the work, the analyst determines that four full-time maintenance employees are needed. In addition, based on the extent and type of electrical work and labor market availability, the analyst, with the help of the personnel office, determines that one part-time electrician working

on a 20-hour per week schedule plus an intermittent employee for the remaining hours are appropriate.

The analyst determines four full-time maintenance employees will accomplish 6,976 productive hours ($4 \times 1,744 = 6,976$), leaving 1,472 productive hours for the electricians ($8,448 - 6,976 = 1,472$).

The part-time electrician employee which equates to .5 of a FTE can accomplish 872 productive hours ($.5 \times 1,744 = 872$), leaving 600 productive hours for the intermittent electrician.

The intermittent electrician's 600 hours need to be converted to FTEs for consistency and for ease in identifying the total FTEs of the in-house staffing estimate. The higher availability factor of 2,015 is used. Therefore, the intermittent employee in this example equates to .298 FTEs ($600 \div 2,015 = .298$).

NOTE: Specifically identify the part-time and intermittent FTEs on the personnel cost worksheet; also, express the partial FTEs to three decimal places.

f. When PWS requirements vary for the various performance periods, the in-house staffing estimate must be developed for each performance period.

3. Computation of Personnel Costs. Illustration 2-1 is a worksheet which can be used to compute personnel costs. The headings described below are illustrated on the worksheet.

a. Position title or skill - (Column A). Example: carpenter, driver, janitor, supervisor, administrative clerk.

b. Grade - (Column B). Show the GS/FWS grade for each type of position or skill.

c. Number FTEs required - (Column C). Show the FTEs required for each grade. Specifically identify, on the worksheet, the part time and intermittent employee work years. This is important for later fringe benefit calculations, since intermittent employees get lower benefits than regular tour of duty employees.

d. Annual Salary/Wage - (Column D). Pay information can be obtained from the personnel or finance offices. Use current pay rates based on the Government-wide representative rate of step 5 for GS and step 4 for FWS employees,

or, if available and deemed accurate, an organizationally determined average step within each grade. Then multiply that pay rate by the number of FTEs in column C on the worksheet, except for intermittent positions where actual hours are used. As a rule, GS salary is expressed as an annual rate of pay and the FWS salary is expressed as an hourly rate. For positions to be used on a prearranged regularly scheduled tour of duty, this hourly rate is multiplied by 2,080 (52 weeks x 40 hours/week) to obtain the yearly pay. (This rate will change to 2,087 effective FY 84 as per P.L. 97-253, Section 310.)

e. Other Entitlements - (Column E). Include entitlements which will also earn fringe benefits. Work closely with the personnel office to make sure all entitlements are considered and to obtain current factors. Some examples are night differential pay for FWS employees, environmental differential pay and premium pay for Federal civilian firefighters and law enforcement officers. Show computations on a separate worksheet and include with the personnel cost worksheet.

f. Basic Pay - (Column F). Salary/wages plus other entitlements (column D plus E).

g. Fringe Benefits or FICA - (Column G).

(1) Multiply the following Government-wide standard factors by the appropriate basic pay (column F).

(a) The standard requirement cost factor to be used is the Government's share of the full dynamic normal cost of the retirement system as reported by OPM in its Annual report to Congress pursuant to P.L. 95-595. This rate will be established annually by OPM. (The current rate is 21.7 percent of payroll.) (Air Traffic Controllers 26.0 percent and Law Enforcement and Fire 25.5 percent).

(b) The Government cost factor to be used for Federal employee insurance (Life and Health) benefits, based on actual cost, is 4.7 percent, plus an additional 1.45 percent for Medicare (up to annual salary limitations placed on employees covered under (FICA).

(c) The Government cost factors to be used for Federal employee miscellaneous fringe benefits (workmen's compensation, bonuses and awards, severance pay and unemployment programs) is 1.7 percent.

(2) Employees (primarily those who are first employed in civil service after December 31, 1983) covered under Title II of Public Law 98-542, the Federal

Employees' Retirement Contribution Temporary Adjustment Act of 1983, shall have the same retirement and medicare benefit factors applied as described in paragraph g.(1), above; that is, 21.7 percent for retirement costs and 1.45 percent for Medicare, up to annual salary limitations placed on employees covered under FICA.

(3) The Federal Insurance Contributions Act (FICA) cost factor, will be applied to civilian employees not covered by either of the two civilian retirement systems (normally intermittent and temporary employees). Be careful to apply the FICA rate only to wages and salaries subject to the tax; there is an annual salary limitation for FICA tax. Costs for employees covered by FICA are 7.65 percent of wages and salaries subject to the tax.

h. Other Pay - (Column H). Include entitlements which do not earn fringe benefits. Again, work closely with the personnel office to make sure all costs are considered. Some examples are night differential pay for GS employees, overtime, holiday, bonuses and uniform allowances. Show computations on a separate worksheet and include with the personnel cost worksheet.

i. Personnel Cost - (Column I). Add Basic Pay (column F), Fringe Benefits for FICA (column G) and other pay ((column H) for all positions and total for both FWS and GS categories. This personnel cost figure can now be used as a basis to compute the actual personnel costs for each period of performance.

4. Performance Period Costs.

Adjustments to current annual personnel cost for each period of performance must be made to reflect anticipated pay increases. There are many possibilities; however, the following is an example of the process.

EXAMPLE

- It is September 1982 and costs are being computed for a firm, fixed-price contract with two pre-priced options for performance periods two and three.

- Contract start date is to be April 1, 1983, and performance periods are: first - April 1 to September 30, 1983; second - October 1, 1983 to September 30, 1984; third - October 1, 1984 to September 30, 1985; additional - October 1, 1985 to September 30, 1986.

- Projected pay increases per the President's Budget (example only) are as follows: for GS employees, 5 percent on October 1, 1982; then 6 percent in October

1983; 5 percent in October 1984; and 4 percent in October 1985; for FWS employees, the anniversary date for example purposes is July 1 of each year and the rates are 5 percent in July 1, 1983; then 6 percent in July 1984; 5 percent in July 1985; and 4 percent in July 1986.

- Personnel costs in the worksheet at Illustration 2-1 apply for this example.

ILLUSTRATION 2-1
PERSONNEL COST WORKSHEET
Base Year _____

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>
Position Title or Skill	Grade/ Step	Number FTEs ^{1/} Required	Annual Wage ^{2/} (C x Annual Pay Rate)	Other ^{1/} Entitlements	Basic Pay (D+E)	Fringe Benefits (27.3%) or FICA (6.7%) (F x Rate)	Other ^{1/} Pay	Personnel Cost (F+G+H)
GS PAY CATEGORY								
Producer	GS 12/5	1	\$32,013	None	\$ 32,013	\$ 8,740		\$ 40,753
Art Director	GS 11/5	1	26,438		26,438	7,218		33,656
Chief Engineer	GS 9/5	1	22,073		22,073	6,026		28,099
Audio Technician	GS 8/5	2	39,972		39,972	10,912		50,884
Camera Operator	GS 7/5	2	36,092		36,092	9,833	\$ 346 ^{2/}	46,291
Video Operator	GS 7/5	2	36,092		36,092	9,833		45,945
Stenographer	GS 4/5	1	13,022		13,022	3,533		16,577
Clerk Typist	GS 3/5	1	11,599		11,599	3,166		14,765
Clerk Typist (Intermittent)	GS 3/5	.149 (300 hrs) ^{3/}	1,668 ^{4/}		1,668	112 (FICA)		1,780
Subtotal for GS		11.149			\$218,969	\$59,435	\$ 346	\$278,750
FWS PAY CATEGORY								
Maint Foreman	WS 6/4	1	\$23,107 ^{6/}		\$ 23,107	\$ 6,834		\$ 31,961
Maint Technician	WG 8/4	3	60,544	\$1,514 ^{7/}	62,058	16,942	\$1,451 ^{8/}	\$ 80,451
Electrician (part-time)	WG 8/4	.500	10,091		10,091	2,733		12,846
Electrician Helper (Intermittent)	WG 4/4	.298 (600 hrs)	4,884 ^{9/}		4,884	327 (FICA)		5,211
Subtotal for FWS		4.798			\$102,140	\$26,878	\$1,451	\$130,469
Totals		15.947			\$321,109	\$86,313	\$1,797	\$409,219

FOOTNOTES

^{1/} Document derivation separately.

^{2/} Include Salary/Wage table in documentation. This column is computed by multiplying column C times the annual pay rate, except for intermittent employees where hours are used.

^{3/} 300 productive hours divided by 2,015 availability factor; indicate number of hours in parenthesis.

^{4/} Yearly salary of \$11,599 is divided by 2,087* to obtain the hourly rate of \$5.56. Then, \$5.56 times 300 hours equals \$1,668.

^{5/} Holiday Pay for 40 hours (\$8.65/hour x 40 hours = \$346). FICA must be added to other pay categories where applicable.

^{6/} Hourly rate of \$12.03 x 2,087 = \$25,107.

^{7/} Night differential pay for whole year for one position (\$20,181 x .075** = \$1,514).

^{8/} Overtime for 100 hours (\$9.67/hour x 100 hours x 150%** = \$1,451).

^{9/} Hourly wage is \$8.14 then times 600 hours equals \$4,884.

* Changes to 2,087 effective FY 84.

** Pay factors obtained from personnel office.

PERFORMANCE PERIOD COMPUTATIONS

First Performance Period (April 1 - September 30, 1983)

	GS Pay (Apr-Sep) 83	FWS Pay (Apr-Jun) 83	FWS Pay (Jul-Sep) 83
Current Annual Cost	\$ 278,750	\$ 130,469	\$130,469
Projected Pay Increase	x 1.05	None	x 1.05
Months/Year	÷ 12	÷ 12	÷ 12
Months	<u>x 6 (Apr-Sep)</u>	<u>x 3 (Apr-Jun)</u>	<u>x 3 (Jul-Sep)</u>
Subtotals	\$ 146,344	\$ 32,617	\$ 34,248

Then \$146,344 + \$32,617 + \$34,248 = \$213,209 (First Period Cost)

Second Performance Period (October 1, 1983 - September 30, 1984)

The second and future periods will be projected per inflation guidelines unless the contract contains an economic adjustment clause or Service Contract Act (SCA)/Davis-Bacon provisions. Contracts with an SCA provision will not be inflated for the outyears because the contractors will not be required to inflate bids or proposals. However, when Department of Labor criteria is being used, certain potential contractor positions may not be covered under SCA provisions; accordingly, the in-house related cost for corresponding positions must be inflated.

To continue the example, two positions are not covered under SCA provisions: the producer, GS-12 and Maintenance Foreman, WS-6. Personnel costs are computed as follows:

POSITIONS NOT COVERED BY THE SCA CLAUSE

	GS Pay (Oct 83-Sep 84)	FWS Pay (Oct 83-Jun 84)	FWS Pay (Jul 84-Sept 84)
Current Annual Cost	\$40,753 (Producer)	\$23,971 (Foreman)	+ \$7,990 = \$31,961
Projected Pay Increase for 1st period	x 1.05	x 1.05	x 1.05
Projected Pay Increase for 2nd period	<u>x 1.06</u>	<u>NA</u>	<u>x 1.06</u>
Annual Cost for 2nd Period	\$45,358	\$25,170	\$8,893 = \$34,063

These increases (\$45,358 and \$34,063) are added to the cost of positions subject to the SCA clause, which follows.

POSITIONS COVERED BY THE SCA CLAUSE

	<u>GS Pay</u> <u>(Oct 83-Sep 84)</u>	<u>FWS Pay</u> <u>(Oct 83-Sep 84)</u>
Current Annual Cost for second period staffing estimate (\$278,750 - 40,753) GS =	\$237,997	
(\$130,469 - 31,961) FWS =		\$ 98,508
Projected Pay Increase from 1st period applied to full year	<u>x 1.05</u>	<u>x 1.05</u>
Cost of Positions Subject to SCA	\$249,897	\$103,433

TOTAL 2ND PERIOD COST

	<u>GS</u>	<u>FWS</u>
Cost of positions Not Subject to SCA	\$ 45,358	\$ 34,063
Cost of Positions Subject to SCA	<u>249,897</u>	<u>103,433</u>
Subtotal	\$295,255	\$137,496
TOTAL (Second Period Cost)		\$432,751

Third Performance Period (October 1, 1984 - September 30, 1985)

POSITIONS NOT COVERED BY THE SCA CLAUSE

	<u>GS Pay</u> <u>Oct 84-Sep 85</u>	<u>FWS Pay</u> <u>(Oct 84-Jun 85) & (Jul 85-Sep 85)</u>	
Second period total cost	\$45,358	\$25,170	\$8,893 = \$34,063
Projected pay increase for third period	<u>x 1.05</u>	<u>x 1.06</u>	<u>x 1.05</u>
Third period cost of positions not subject to SCA	\$47,626	\$26,680	+ \$9,338 = \$36,018

TOTAL 3RD PERIOD COST

	<u>GS</u>	<u>FWS</u>
Cost of positions not subject to SCA	\$ 47,626	\$ 36,018
Cost of positions Subject to SCA	<u>\$249,897</u>	<u>\$103,433</u>
Subtotals	\$297,523	\$139,451
TOTAL (Third Period Cost)		\$436,974

Additional Performance Periods. For contracts involving more than three performance periods, each subsequent period would continue to be adjusted using the appropriate projected pay increase for positions not covered by an SCA clause. To continue the example, computations are as follows for the period October 1, 1985, through September 30, 1986.

POSITIONS NOT COVERED BY THE SCA CLAUSE

	<u>GS Pay</u> <u>Oct 85-Sep 86</u>	<u>FWS Pay</u> <u>(Oct 85-Jun 86) & (Jul 86-Sep 86)</u>	
Third period total cost	\$ 47,626	\$ 26,680	\$ 9,338 = \$36,018
Projected pay increase for additional period	<u>x 1.04</u>	<u>x 1.05</u>	<u>x 1.04</u>
Additional period cost of positions not subject to SCA	\$ 49,531	\$ 28,014	+ \$ 9,712 = \$37,726

TOTAL ADDITIONAL PERIOD COST

	<u>GS</u>	<u>FWS</u>
Cost of positions not subject to SCA	\$ 49,531	\$ 37,726
Cost of positions subject to SCA	<u>\$249,897</u>	<u>\$103,433</u>
TOTAL	\$299,428	+ \$141,159 = \$440,587

Performance Period Recaps:

<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Add'l</u>	<u>Total</u>
\$213,209	\$432,751	\$436,974	\$440,587	\$1,523,521

These totals are then entered on line 1 of the CCF.

E. MATERIAL AND SUPPLY COST -- Line 2

1. Material and supply costs are incurred in each period of performance for goods such as raw materials, parts, subassemblies components and office supplies. Material costs are calculated only if the materials are used solely by the function under study and are not provided to the contractor, otherwise they are common cost.

2. Review the PWS and solicitation documents to determine the material to be furnished to the contractor and those not furnished to the contractor but needed for in-house performance. For only those materials required for in-house performance but not furnished to the contractor, review historical records of materiel usage and cost data prepared for the same or similar work. Adjust historical material use and cost data to reflect requirements of the PWS. Determine if materials obtained from other Government agencies can be obtained at less cost on the local market. If so, obtain applicable waiver from other Government agencies to purchase materials locally. Include allowances for normal scrap, spoilage, overruns and defective work. List required material by quantity needed, unit price, material mark-up and total cost. A single entry may be made for miscellaneous items such as office supplies. Ensure unit prices are current for the first period of performance.

3. Pricing Material From Other Government Agencies. Costs associated with materials obtained from other agencies will also be added as a material mark-up to the material and supply cost.

a. General Supply Administration. The current standard and price formula includes full cost and no further markup is required.

b. Department of Defense. The following definitions describe material supply services provided by the Defense Logistics Agency (DLA). The appropriate mark-up rates to be applied to DLA prices to show full costs are as follows:

(1) Wholesale Stock Fund. Material for which the Defense Stock Fund has procurement, receiving, storage, and shipping responsibility. Add 13.2 percent.

(2) Direct Delivery. Material for which the Defense Stock Fund has procurement responsibility only and which is delivered directly to the customer from the vendor. Add 6.2 percent.

c. Other Agencies. The furnishing agency must be requested to determine the costs of acquiring, managing and storing its material. These costs will usually be presented as a percentage of its total material costs.

4. Material and Supply Costs must be projected for all periods of the cost comparison. The first period will reflect actual projected costs. The second and subsequent periods are projected using the appropriate inflation factor. However, these periods are not inflated for contracts which include an escalation or economic adjustment clause. Such a clause enables a contractor to be reimbursed for future price increases. In the documentation to the CCF show the computations used to derive the entries for all periods of performance. An example of supporting documentation is provided in Illustration 2-2.

ILLUSTRATION 2-2
ESTIMATE OF MATERIAL AND SUPPLY COSTS

Nomenclature	National Stock Number	Quantity ^{1/} Required	Unit ^{2/} Price	Source of Supply	Additive ^{3/} Adjustments	Final Estimate ^{6/} Unit Price	Annual ^{7/} Material Cost	Performance Period Cost ^{12/}			
								First ^{8/}	Second ^{9/}	Third ^{10/}	Fourth ^{11/}
Audio Tape	6750009265200	12	\$ 41.65	GSA Wholesale	21% ^{4/} 6% ^{5/}	\$ 53.42	\$ 641.04	\$ 320.52	\$ 676.30	\$ 710.27	\$ 742.97
Chrome Film	6750002547099	10	271.73	Local Purchase	0% 6%	288.03	2,880.30	1,440.15	3,038.72	3,191.37	3,338.27
Music Tracks	6750010453221	2	81.93	GSA Retail	36% 6%	118.11	236.22	118.11	249.21	261.73	273.78
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								<u>\$ 35,530</u>	<u>\$ 71,664</u>	<u>\$ 78,830</u>	<u>\$ 86,713</u>

FOOTNOTES

- 1/ Basic quantity requirement plus any added requirement for scrap, spoilage and defective items.
2/ Stock list price in current year dollars (e.g., FY 82).
3/ Adjustments for: material markup and inflation to year of first performance period.
4/ Material markup factor additive.
5/ Inflation factor additive to inflate prices from FY 82 to FY 83 (example only).
6/ Unit Price \$41.65 x .21 (see footnote 4) = \$8.75 + \$41.65 = \$50.40 x .06 (see footnote 5) = \$3.02 + \$50.40 = \$53.42.
7/ Quantity 12 x \$53.42 = \$641.04 annual FY 83 dollars.
8/ First performance period April through September FY 83. \$641.04 annual FY 83 dollars divided by 12 months = \$53.42 per month x 6 months = \$320.52.
9/ Second performance period is October 83 - September 84. Inflation from FY 83 to FY 84 is 5.5% (example only), \$641.04 annual FY 83 Material Cost x 1.055 = \$676.30 annual FY 84 Direct Material Cost.
10/ Third performance period is October 84 - September 85. Inflation from FY 83 to FY 85 is 10.8% (example only), \$641.04 annual FY 83 Material Cost x 1.108 = \$710.27 annual FY 85 Material Cost.
11/ Fourth performance period is October 85 - September 86. Inflation from FY 83 to FY 86 is 15.9% (example only), \$641.04 FY 83 Material Cost x 1.159 = \$742.97 annual FY 86 Material Cost.
12/ If material usage is expected to increase/decrease in any performance period, appropriate adjustments must be made to the quantity and cost columns before applying inflation.

F. OTHER SPECIFICALLY ATTRIBUTABLE COSTS -- Line 3

1. Overview

Personnel and material cost previously covered are normally the primary sources of Government costs. The remaining elements of costs (with asterisks below) are also specifically attributable to the function under study. As discussed in Chapter 2, paragraph C, each element of cost must be adjusted for inflation. When requirements differ by period due to changes in the PWS, ensure these adjustments are made before applying inflation factors. Costs that would be the same regardless of the eventual decision, though not calculated, must still be identified in each cost element (for example, under paragraph 2F4, identify maintenance and repair of a Government-furnished building as a common cost). Costs which are not 100 percent attributable to the function under study are overhead costs and will be discussed in paragraph G.

<u>Elements of Cost</u>	
Personnel Cost	Para 2D
Materials and Supply Cost	Para 2E
*Depreciation	Para 2F2
*Rent	Para 2F3
*Maintenance and Repair	Para 2F4
*Utilities	Para 2F5
*Insurance	Para 2F6
*Travel	Para 2F7
*Other Costs	Para 2F8

* These "other specifically attributable costs" should be summarized on a worksheet, as in Illustration 2-5.

2. Depreciation

a. Depreciation is the method used to spread the cost of tangible capital assets (e.g., plant and equipment), less residual value, over an asset's useful life.

Because land has an unlimited life, it is not a depreciable asset.

b. For purposes of the Handbook depreciation must be calculated for capital assets in the following cases:

(1) Depreciate only those capital assets used solely by the function under study for in-house operation, but not provided to the contractor as stated in the PWS or solicitation. If all capital assets owned (or to be acquired) by the function under study are provided to the contractor, no depreciation costs will be calculated. Assets costing less than \$5,000 are classified as minor items and will not be depreciated but will be added to other costs (see paragraph F.8.).

(2) There may be circumstances when the Government determines it to be beneficial to study a currently contracted function for more economical in-house performance, to expand a current in-house operation, or to establish a new requirement. In these cases, also depreciate the additional capital assets that would be required by the function under study but not provided to the contractor (see Chapter 5).

b. The following terms are expanded for clarification:

(1) Useful Life. Useful life is the estimated period of economic usefulness of an asset in a particular operation. A representative useful life table for various classes of equipment is provided at Appendix C.

(2) Residual Value. Residual Value is the value at disposition (less costs of disposal) estimated at the time of acquisition. In many cases, the estimated residual value is so small and occurs so far in the future that it has no significant impact on a cost decision. Residual value may be almost or completely offset by removal and dismantling costs. Normally, Government assets will be used through the end of their estimated useful life; thus, residual value may be carried at zero. In the event that it is known at the time of acquisition that the capital asset will not be used for at least 75 percent of its scheduled useful life residual value should be estimated.

(3) Capital Improvements. Capital improvements are the costs of major overhauls and modifications which add value or prolong the life of a capital asset (equipment or facility). These costs should be treated as capital expenditures and depreciated over the extended or remaining useful life of either the asset or improvement, whichever is less.

d. Using the example in Illustration 2-3, annual depreciation for capital equipment will be estimated as follows:

- (1) Start with the acquisition cost (purchase price) plus capital improvements, plus all other costs incurred to place the asset in use; e.g., transportation, installation;
- (2) Then, determine the year of purchase and the useful life of the asset in Appendix C.
- (3) If the projected useful life from the year of purchase is less than the last year of the performance period, extend the useful life. The useful life should be extended throughout the last period of performance or longer based upon actual or planned retirement or replacement practice. This will ensure the annual depreciation costs are spread over the period of expected use.
- (4) Compute annual depreciation by dividing the depreciable basis (acquisition cost plus capital improvements less residual value) by the useful life. Capital improvements may have to be depreciated separately and then accumulated with the annual depreciation of the original capital asset.
- (5) If the useful life shown on Appendix C is unrealistic for specific assets (regardless of current age), an alternative useful life and consideration of residual value may be used if approved by the assistant secretary or designee in paragraph 9.a. of the Circular, if based on actual or planned retirement and replacement practices.

ILLUSTRATION 2-3
DEPRECIATION WORKSHEET

EQUIPMENT

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
<u>Asset/FSG</u>	<u>Depreciable Basis (Acquisition Cost Less Residual Value)^{1/}</u>	<u>Useful Life^{2/}</u>	<u>Annual Depreciation (B ÷ C)</u>
Video Viewer/6730---	\$ 6,895	25	\$ 276
TV Camera/6710---	11,844	25	474
Microphone/5965---	4,909	24	205
			<u>205</u>
			Subtotal \$ 955

FACILITIES

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
<u>Facility #/Category</u>	<u>Depreciable Basis (Acquisition Cost Less Residual Value)</u>	<u>Useful Life^{3/}</u>	<u>Annual Depreciation (B ÷ C)</u>
1506/P	\$750,750	75	\$10,010
701/S	308,000	50	6,160
1502/T	5,950	25	238
			<u>238</u>
			Subtotal \$16,408
			TOTAL ^{4/} \$17,363

^{1/} Capital improvements should be depreciated over the remaining life of the improved asset. (F.2c(3))

^{2/} If useful life from Appendix C is not appropriate, substitute approved agency data.

^{3/} If age of facility exceeds expected useful life guidelines, adjust using engineering projections.

^{4/} Enter total in worksheet, Illustration 2-5, for "other specifically attributable costs." If the first performance period is less than a full year, prorate costs to the partial period.

(NOTE: Depreciation is not inflated for the outyears.)

e. For facilities, the acquisition cost plus capital improvements (less residual value) will be depreciated over the useful life of the facility. Facilities are generally categorized as permanent, semi-permanent or temporary, and the useful life will be standardized for the entire grouping. The useful life expectancies below may be used by projection of type of facility. If useful life has been exceeded, obtain an engineering projection of anticipated useful life.

<u>Facility Category</u>	<u>Useful Life</u>
Permanent (P)	75 years
Semi-Permanent (S)	50 Years
Temporary (T)	25 years

3. Rent - This cost is incurred for the use of non-Government assets (land, plant and machinery, etc.) by the function under study. Compute only those rental costs not expected to continue in the event of contractor performance. When the actual rental changes are not available from the agency providing the asset and a GSA-billed Standard Level User Charge (SLUC) is available, the SLUC charge should be used as the rental cost.

4. Maintenance and Repair - This cost is incurred to keep buildings and equipment in normal operating condition. It does not include capital improvements which add value to an asset and are accounted for under depreciation. Compute maintenance and repair cost for those assets that are not furnished to the contractor but are need for in-house performance for the function under study and for any facilities or equipment furnished to the contractor where the contractor would be responsible for maintenance and repair cost.

5. Utilities - This category includes charge for fuel, electricity, telephone, water and sewage services, etc., that would not continue in the event of contract performance. The amount of these costs applicable to the function under study will be determined either on a metered or allocated basis of consumption. These costs will be prorated by a unit of measure that varies directly with consumption (e.g., floor space, type of facility, number of telephones). Estimates of expenses to be incurred for the first year of performance would be be on current experience appropriately adjusted for anticipated future requirements. Engineering estimates should be used when historical data is not available. All estimates should be appropriately documented with supporting detail.

6. Insurance - Operation of any Government activity involves risks and potential costs from casualty losses (fire, flood, etc.) and liability claims. These risks are

normally covered by insurance in the private sector, but the Government is primarily self-insured and must pay for each loss incurred. To compute estimated insurance costs, use the example at Illustration 2-4.

a. Casualty losses will be computed by multiplying .0005 times the net book value (acquisition cost plus improvements less accumulated depreciation) of Government equipment, and the average value (stockage level) or material and supplies. Casualty losses for facilities and minor items will be .0005 times the estimated replacement cost.

b. Insurance to be computed on assets will depend on the requirements of the performance work statement(PWS). If the contractor is required to provide casualty insurance on all Government furnished assets, compute insurance for all those assets to be used by the function under study, regardless of whether the assets will be furnished to the contractor. If the contract does not require the contractor to furnish casualty insurance, compute casualty insurance on only those assets to be used by the function under study which would not be provided to the contractor.

c. Agencies that formally develop factors for Government self-insurance reserves, for example, Office of Aircraft Services, the Department of Interior, should use those factors rather than those in paragraphs 6.a. and 6.b., above, for insurance costs that would not continue in the event of contracting.

ILLUSTRATION 2-4
INSURANCE WORKSHEET

I. Casualty Insurance

<u>A. Capital Assets</u>	<u>Federal Stock Group</u>	<u>Estimated Acquisition Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Video Viewer	6730	\$ 6,895	\$4,140	\$2,755
TV Camera	6710	11,844	7,110	4,734
Microphone	5965	4,909	<u>3,075</u>	<u>1,834</u>
			Subtotal	\$9,323

<u>B. Facility Number/Code</u>	<u>Estimated Replacement Cost^{2/}</u>
1,506 (P)	\$2,200,850
701 (S)	750,600
1,502 (T)	<u>19,300</u>
	Subtotal
	\$2,970,750

C. Material and Supply

Average Monthly Material & Supply Stock

$$\frac{\$120,000 \text{ (Annual Cost)}}{12 \text{ months}} = \$10,000 \text{ per month}$$

$$\text{Average Stockage Level} = 2 \text{ months supply} \times \$10,000 \quad \$ 20,000$$

D. Minor Items (Non-Capital Durable Goods) less than \$1,000 in unit value

<u>NOUN</u>	<u>FSG</u>	<u>QTY</u>	<u>Estimated Acquisition Costs</u>	<u>Total</u>	<u>Current Replacement Cost</u>
Desks	7110	15 ea	\$200 ea	\$3,000	\$ 600
Chairs	7110	20 ea	100 ea	2,000	400
.
.
				Subtotal	\$2,000

E. Summary

<u>Capital Assets</u>	<u>Replacement Cost or Net Book Value</u>	<u>x</u>	<u>Casualty Insurance Factor</u>	<u>=</u>	<u>Casualty Insurance</u>
Equipment	\$ 9,323				
Facilities	2,970,750				
Materials & Supply	20,000				
Minor Items	<u>2,000</u>				
	\$3,002,073	x	.0005	=	\$1,501

F. Casualty Insurance by Performance Period

	<u>1st^{3/}</u>	<u>2nd^{4/}</u>	<u>3rd^{5/}</u>	<u>4th^{6/}</u>	<u>Total^{7/}</u>
Casualty Insurance	\$ 750	\$1,584	\$1,663	\$1,740	\$5,737

2. Liability Insurance by Performance Period

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
Personnel Related Cost Line 1, CCF	\$213,209	\$432,751	\$436,974	\$440,587	\$1,523,521
Liability Insurance Factor	x .0007	x .0007	x .0007	x .0007	x .0007
Liability Insurance	\$ 149	\$ 303	\$ 306	\$ 308	\$ 1,066

NOTE: Liability Insurance is calculated from previously inflated personnel-related costs and need not be inflated again.

3. Summary of Insurance

	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Total</u>
Casualty Insurance	\$ 750	\$1,584	\$1,663	\$1,740	\$5,737
Liability Insurance	<u>149</u>	<u>303</u>	<u>306</u>	<u>308</u>	<u>1,066</u>
Total ^{7/}	<u>\$ 899</u>	<u>\$1,887</u>	<u>\$1,969</u>	<u>\$2,048</u>	<u>\$6,803</u>

FOOTNOTES:

- ^{1/} Appendix C.
^{2/} Civil Engineering Estimates.
^{3/} Annual casualty insurance prorated to first period (April - September FY 83 dollars) ÷ 12 months x 6 months = \$750.
^{4/} Second period is October 83 - September 84. Inflation from FY 83 to FY 84 is 5.5 % (example), \$1,501 x 1.055 = \$1,584.
^{5/} Third period is October 84 - September 85. Inflation from FY 83 to FY 85 is 10.8% (example), \$1,501 x 1.108 = \$1,663.
^{6/} Fourth period is October 85 - September 86. Inflation from FY 83 to FY 86 is 15.9% (example), \$1,501 x 1.159 = \$1,740.
^{7/} Transfer to Summary Worksheet, Illustration 2-5, "Other Specifically Attributable Costs."

d. Liability losses will be computed by multiplying .0007 times the Government personnel-related costs (line 1 and the portion of personnel costs in line 4 of the CCF).

7. Travel - This category covers the expected cost of travel that would not continue in the event of contract performance. These costs should be readily available from budgeted amounts of per them and transportation cost for the function under study.

8. Other Costs

a. Other costs is a general category for specifically attributable costs that do not properly fit into one of the other elements of cost but do not continue in the event of contract performance. Some examples are purchased services or any works currently performed under contract that has been included in the PWS; packaging and crating (if not already a part of material and supplies); transportation costs; and royalties. Ensure these costs are not also covered in an overhead area. A format is provided at Illustration 2-5.

b. Additionally, include the recurring cost of minor items which are not immediately consumed by the function under study and not provided to the contractor. Minor items are non-capitalized (will not be depreciated) durable items with current replacement cost that is less than \$5,000, e.g., overhead projectors, office equipment, chairs. The cost of minor items for each performance period will be 10 percent of the total current replacement cost of all minor items not provided to the contractor. Should the supply source increase the item's cost to more than \$5,000, it will still be considered a minor item. A worksheet is provided at Illustration 2-6.

G. OVERHEAD COSTS -- Line 4

1. Overview

a. Costs incurred in support of the function under study, not 100 percent allocable to that function, will be classified as overhead. Overhead will not be calculated for studies of 10 FTEs and under (nor will contract administration -- see Chapter 3, paragraph C).

b. For the purposes of this Handbook, overhead will be captured into two major categories by using the proper elements of cost from paragraph F. Include only those costs that will not continue in the event of contract performance. The first overhead category will be Operations Overhead and is defined as those costs incurred by the first supervisory work center one element above and in support of the function under study. The second overhead category will be General and Administrative Overhead and is defined as all support cost, other than operations overhead, incurred in support of the function under study.

ILLUSTRATION 2-5

SUMMARY

OTHER SPECIFICALLY ATTRIBUTABLE COSTS

PERFORMANCE PERIODS

<u>Category</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>Additional</u>	<u>Total</u>
Depreciation ^{1/}	\$ 8,682	\$17,363	\$17,363	\$17,363	\$0	\$60,771
Rent ^{2/}	0	0	0	0	0	0
Maintenance & Repair ^{2/}	0	0	0	0	0	0
Utilities ^{2/}	0	0	0	0	0	0
Insurance ^{3/}	899	1,887	1,969	2,048	0	6,803
Travel ^{2/}	0	0	0	0	0	0
Other Costs ^{4/}	<u>782</u>	<u>1,563</u>	<u>1,563</u>	<u>1,563</u>	<u>0</u>	<u>5,471</u>
Total ^{5/}	<u>\$10,263</u>	<u>\$20,813</u>	<u>\$20,895</u>	<u>\$20,974</u>	<u>\$0</u>	<u>\$73,045</u>

1/ From Illustration 2-3.

2/ Based on the requirements of the example study, there were no costs associated with these elements.

3/ From Illustration 2-4.

4/ From Illustration 2-6, which depicts minor items cost and "other cost" category.

5/ Transfer these totals to line 3 of Cost Comparison Form.

ILLUSTRATION 2-6
MINOR ITEMS -- NOT PROVIDED TO CONTRACTOR
(Part of Line 3, Other Costs)

<u>Source of Supply</u>	<u>Item/Stock Class</u>	<u>Acquisition Cost</u>	<u>Quantity</u>	<u>Unit Total</u>	<u>Material Mark-Up Factor</u>	<u>Total Cost</u>
I. GSA Supplied Items						
Wholesale & Stores	Wastebasket/7105	\$ 5	10	\$ 50	1.21	\$ 61
Direct Delivery	Bookcase/7110	325	1	325	1.21	393
Retail	Table/7110	193	3	579	1.36	787
Nonstores Direct Delivery and Competitive Federal Supply	Typewriter/7430	820	2	1,640	1.05	<u>1,722</u>
				Total GSA		<u>\$ 2,963</u>
II. DOD Supplied Items						
Wholesale	Safe/7110	\$912	1	\$ 912	1.245	\$ 1,135
	File/7110	213	7	1,491	1.245	1,856
Direct Delivery	Desks/7110	680	4	2,740	1.134	3,084
	Calculator/7420	319	3	957	1.134	<u>1,085</u>
				Total DOD		<u>\$ 7,160</u>
III. Other Agencies						
	Scale/5210	\$514	9	\$4,626	1.19	<u>\$ 5,505</u>
				Total Other		<u>\$ 5,505</u>
				Total All Minor Items		<u>\$15,628</u>
				Minor Items x 10% = Annual Cost		\$ 1,563
				First Period $\frac{(\text{Number of Months})}{12}$		
				6/12 x \$1,563 = \$782		\$ 782
				Subsequent Performance Periods (12 Months) -- Not Inflated		\$ 1,563

c. A limit must be placed on the scope of analysis on General and Administrative Overhead Support costs. Certain support costs incurred by the executive, legislative and judicial branches of the Government are attributable to the various departments and independent agencies. Similarly, certain support costs incurred at the department level would be attributable to the activities within the subordinate organizational levels. General and Administrative Overhead support cost will vary based on the organizational structure of each department or agency, but will exist in some form in each. A portion of the support costs incurred above the installation level are theoretically attributable to the function under study. However, for the cost comparison study, only calculate support costs which would be eliminated in the event the function is contracted. This decision is based on the conclusion that costs involved in funding, policy-making, long-range planning and direction would continue and be equally applicable to both in-house or contract operation.

d. Typical General and Administrative Overhead Type Activities have been depicted in Illustration 2-7. This table is not all inclusive but serves as a starting point to decide not only the typical installation support or service activities (versus mission activities) but also such external installation support activities as regional personnel support service centers, regional finance centers, supply centers and tenant activities that provide definable support to the function under study. The methods for calculating these overhead costs are presented in the next two paragraphs; a worksheet is provided at Illustration 2-8.

2. Operations Overhead.

To compute operations overhead cost for the supervisory work center one level above the function under study, determine if at least one position would be eliminated in the supervisory work center as a result of conversion to contract if not, operations overhead is zero. If positions or overtime would be eliminated (a position may be full-time, part-time or intermittent), compute personnel costs per paragraph D and also compute other costs solely in support of positions to be eliminated. Reference material and supply costs per paragraph E and other specifically attributable costs per paragraph F for development of cost in support of positions to be eliminated.

3. General and Administrative Overhead (G&A).

To compute G&A costs, first list all activities internal to the installation that provide defineable support to the function under study, excluding operations overhead. Next, list those activities external to the installation which provide general or administrative support not available on the installation and which are essential to the operation of the function under study; e.g., regional service center. Within each of these activities determine if there could be at least one position (full-time, part-time, or intermittent) or overtime eliminated as a result of conversion to contract. If not, G&A overhead is zero. If positions could be eliminated, compute personnel costs per paragraph D, and other cost solely in support of those positions which would be eliminated. Reference material and supply costs per paragraph E and other specifically attributable costs per paragraph F.

ILLUSTRATION 2-7
TYPICAL GENERAL AND ADMINISTRATIVE ACTIVITIES

1. Organization Director (Commander)
2. Comptroller (Budget)
3. General Counsel (Judge Advocate)
4. Central Personnel Services
5. Public Relations (Information Office)
6. Central Administrative Services
7. Security (including security clearances)
8. Data Automation
9. Procurement/Contracting
10. Supply
11. Transportation
12. Tenant activities which provide support to the function under study

ILLUSTRATION 2-8
OVERHEAD COST WORKSHEET

<u>COST CATEGORY</u>	<u>PERFORMANCE PERIODS</u>				
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Additional</u>	<u>Total</u>
Operations-Overhead ¹					
Personnel Cost	11,937	25,307	26,572	27,635	91,451
Material and Supply Cost	0	0	0	0	0
Other Specifically Attributable Costs (Specify) ³	8	18	19	19	64
G & A Overhead ²					
Personnel Cost	4,307	9,131	9,588	9,972	32,998
Material and Supply Cost	0	0	0	0	0
Other Specifically Attributable Costs (Specify) ³	<u>3</u>	<u>6</u>	<u>6</u>	<u>7</u>	<u>22</u>
Totals	<u>16,255</u>	<u>34,462</u>	<u>36,185</u>	<u>37,633</u>	<u>124,535</u>

(Enter totals on line 4 of the CCF)

¹ The analysis of operations overhead, for example purposes, shows that one full-time position, a GS-7 step 5, can be eliminated as a result of converting the function under study to contract. A further analysis of the costs in support of this position; i.e., material and supply cost and other specifically attributable costs, shows that none can be materially reduced. Personnel cost computations are made per paragraph D; the position is not subject to the SCA clause.

² The analysis of G & A overhead, for example purposes, shows that only one office is materially affected by converting the function under study to contract. One part time position, GS-4 step 5, 20 hours per week, can be eliminated in the personnel office. A further analysis of the costs in support of this position, as in footnote 1 above, shows that none can be materially reduced. The position is not subject to the SCA clause.

³ Liability insurance factor .0007 applied to overhead personnel cost.

H ADDITIONAL COSTS -- Line 5

This cost category encompasses any Government costs which are not classified appropriately by the cost elements on lines 1 through 4 of the CCF. This cost category should reflect those additional Government costs resulting from unusual or special circumstances which may be encountered in particular cost studies. The total amount of such costs should be entered on line 5 of the CCF. Common costs that continue to exist irrespective of the mode of performance are not computed. Amounts entered on line 5 must be supported by a definition of the type of costs reported, a justification for its inclusion in the cost study, an explanation of the underlying assumptions methods of computation used to determine the cost and a detailed listing of the specific components or elements of cost which comprise the total amount reported on line 5, if applicable.

I. TOTAL - Line 6

Enter the sum of lines 1 through 5 on line 6 of the CCF. This concludes the development of the in-house cost of the function under study.

PART IV -- COST COMPARISON HANDBOOK

Chapter 3 -- Developing the Cost Of Contract Performance

A. GENERAL

This Chapter of the Handbook deals with the determination of the cost to the Government of acquiring a product or service by contract. It includes a determination of not only the amount to be paid to the contractor (contract price) but also a determination of costs that would be incurred only in the event of contract performance. The Cost Comparison Form (CCF) identifies the categories of Government cost which would be incurred in connection with contracting.

B. CONTRACT PRICE -- Line 7

1. The contract price included in the cost comparison must be supported by a firm bid or proposal. The contractor's bid or proposal must be predicated on the same performance work statement (PWS) utilized in preparing the Government's estimate. Also, the solicitation for bids or proposals will notify the bidders or offerors that a comparison will be made between the cost of contracting and the cost of the in-house performance, and that a contract may or may not result.

2. In determining the amount to be recorded as the contract price, consider the contract type. The following guidance is provided in this regard.

a. In the case of an advertised firm-fixed price contract, the price of the low bidder or offer or will be entered. If a firm-fixed price contract is to be negotiated, the negotiated price will be entered.

b. When fixed price contracts with flexible pricing arrangements are contemplated (e.g., fixed price incentive fee), enter the target price.

c. If a cost reimbursement-type contract is proposed, enter the low negotiated estimated cost plus the fee to be earned if the contractor provides the minimum acceptable performance.

d. If a contract with an award fee is proposed, enter the fixed portion of the fee plus the contract costs of the most advantageous offer to the Government.

e. If a time and material or labor-hour contract is proposed, enter the estimated total cost of performance. Alternatively, comparable rates can be developed for the Government cost estimate and the comparison can be made on the basis of rates, rather than total costs.

3. Tax Exempt Organizations

a. If the apparent low bidder or offer or is a tax-exempt organization, the contract price must be adjusted by an amount equal to the Federal, state and local income taxes that would be paid by the lowest non-tax-exempt bidder or offer or. This adjustment is necessary to determine which bidder or offer or has the lower overall cost to the Government.

b. Determine the lowest non-tax-exempt organization's bid or offer and calculate the Federal tax rate for this non-tax-exempt organization from the procedures in paragraph G, this Chapter. To calculate state and local taxes for the non-tax-exempt organization, multiply the bid or offer by .23 percent (.0023). Add the Federal, state and local taxes calculated above to the tax-exempt organization's bid or offer. (State and local taxes are used only for comparing tax-exempt with non-tax-exempt organizations.)

c. Compare the tax-exempt organization's tax-adjusted price to the non-tax-exempt organization's price. The lowest cost bidder or offer or after this comparison will compete against the Government. If the tax-exempt organization's tax-adjusted price is lower than the non-tax-exempt organization's price, enter the unadjusted price on Line 7 of the CCF.

d. In cases where the tax-exempt organization's tax-adjusted price is identical to the non-tax-exempt organization's price, the non-tax-exempt organization shall be the organization to compete against the Government.

C. CONTRACT ADMINISTRATION -- Line 8

1. Contract administration costs are the costs incurred by the Government in ensuring that a contract is faithfully executed by both the Government and the contractor. It includes the cost of reviewing contractor performance and compliance with the terms of the contract (quality assurance plan), processing contract payments, negotiating change orders, and monitoring the closeout of contract operations.

2. The contract administration cost to be entered on line 8 of the CCF will be based on requirements as shown on Table 3-1. The requirements vary by size of the function under study as determined by the in-house staffing estimate developed in the management study. For example, for a study of 15 staff years (FTEs), one contract administration staff year (FTE) is required. Costs related to this position are then computed based on instructions for determining personnel costs (Chapter 2, paragraph D).

3. Table 3-1 was developed from a representative sample of agencies' contract administration cost data. The table represents contract administration staffing limits to be used for a cost comparison study. Depending on the type of function involved, it may be possible to use lower contract administration factors than shown on this table; in this case, agencies should quantify requirements based on a workload measurement using the quality assurance plan. In the event the function under study is so technically specific or geographically dispersed that the contract administration (including the quality assurance surveillance plan requirements, as specified in Part II of this Supplement) personnel requirements would exceed the limits established in Table 3-1, a waiver may be granted by the appropriate official per paragraph 9.a. of the Circular. Agencies may submit reports to the Administrator for Federal Procurement Policy, OMB, on actual contract administration costs if agency experience significantly differs from the costs allowed by Table 3-1.

D. ADDITIONAL COSTS -- Line 9

The procedures prescribed by this Handbook substantially diminish the need to include the elements of additional cost described in this section except in unusual and infrequent circumstances. Include additional costs that would only be incurred in the event of contract performance.

1. This category encompasses any additional costs to the Government such as transportation or purchased services resulting from unusual or special circumstances which may be encountered in particular cost comparisons.

2. The supporting documentation for additional costs of transportation should describe the nature of the transportation to be provided; indicate the reasons the additional cost was not incurred by the function under study, but will be furnished to the contractor, specify the mileage, carrier, rates and data used to determine the estimated costs; and identify the sources of the data obtained.

3. The total amount of additional costs will be entered on line 9 of the CCF. Amounts entered on line 9 must be supported by a definition of the type of cost reported, justification for inclusion, methods of computation, and, if applicable, a detailed listing of the cost components.

Table 3-1
Contract Administration Factors

<u>In-House Staffing Estimates of Activity Under Study (Range)</u>	<u>Contract Administration Staffing Requirements in FTEs</u>
10 or Below	Do not reflect any costs in line 8 of the CCF. Likewise, do not include any overhead staffing or related cost in line 4 of the CCF.
11-20	1
21-42	2
43-65	3
66-91	4
92-119	5
120-150	6
151-184	7
185-222	8
223-265	9
266-312	10
313-367	11
368-429	12
430-500	13
501-583	14
584-682	15
683-800	16
Above 800	Use 2 percent of the in-house staffing estimate to compute administration staffing requirements

E. ONE-TIME CONVERSION COSTS -- Line 10

1. When the Government discontinues an in-house activity to obtain a commercial product or service by contract, there are usually one-time in-house costs associated with the conversion.

2. Material Related Cost

a. A conversion will normally result in certain items of material (expendables) becoming excess or available for transfer in-house or to the contractor.

b. It may be possible to transfer material to the contractor providing the product or service in the future. For purposes of the cost-comparison, only the one-time costs associated with transferring material to a contractor will be included (physical inventory, packing, crating, transportation, etc.).

c. When material is disposed of, the benefit is equal to the estimated recovery less the cost of disposal; when material is transferred to another Government facility, the benefit is equal to the original cost (now a savings) less the cost of transfer. When a benefit (savings) is determined, it will be used as a reduction to the remainder of one-time conversion costs. When cost of disposal or transfer is greater than the recovery or savings, it is treated as a one-time conversion cost.

3. Labor-Related Costs

a. A conversion will also normally result in certain one-time labor-related expenses. These include severance pay, homeowner assistance, relocation and retraining expenses. The amount of these expenses should be computed in consultation with the personnel office. Care must be taken that only those expenses which can reasonably be expected to be paid out are entered on the CCF.

b. Government experience indicates that only a small fraction of the total number of employees affected in conversion actions are actually separated from Government service. Therefore, it would be inappropriate to enter on the CCF an amount for severance pay that assumes every employee eligible for severance pay would actually receive severance pay. Past conversion experience indicates that only four percent of the total number of employees assigned to the function under study are separated and receive severance pay. Based on this separation rate and the average Federal employee's severance pay entitlements, a two-percent severance pay factor is appropriate for use in most cost studies. The variations to consider when computing severance pay are discussed in the following paragraph.

c. For most studies, where the in-house staffing estimate is equal to or lower than the number of assigned Federal employees, the two-percent factor is multiplied by the annual basic pay from the Personnel Cost Worksheet, Column F, Total (Illustration 2-1). There are two exceptions to this procedure.

(1) In some cases, where the in-house staffing estimate is higher than the number of assigned Federal employees, an adjustment has to be made: multiply the result from c., above, by the ratio of Permanent Employees Assigned to In-House Staffing Estimate.

(2) In cost studies for which a higher or lower separation rate than four percent can be anticipated, other estimates of severance pay may be used, provided the alternate assumptions can be fully documented.

d. The actuarial model used to compute the standard retirement cost factor provides for normal levels of early retirement and withdrawals, but a significant number of actions could have additional impact. In cases where this effect is likely to have a determinative bearing on the outcome of the cost comparison, the situation will be called to the attention of the agency official responsible for implementation of Circular A-76, who may confer with OMB and OPM for FPM 351-17 consideration.

4. Other Costs

A conversion will normally require an agency to take certain actions that would not be necessary if the activity continued in-house. For example, it may not be possible to terminate a rent or lease agreement without incurring a penalty fee. Such penalty fees are also costs of conversion.

5. One-Time Cost Computation

Supporting documentation should clearly state the type of cost anticipated, justification for inclusion and methods of computation. The total of these one-time costs should be allocated to each performance period. The cost entry will be determined by dividing the total one-time costs by the number of periods in the cost comparison. However, the one-time costs will be allocated over not less than a three-year period. Do not inflate one-time costs for the out-years.

F. GAIN OR LOSS ON DISPOSAL/TRANSFER OF ASSETS -- Line 11

1. When a function is performed in-house by Federal employees, a decision to contract that operation may eliminate the need for all or some portion of the assets. The value to the Government of reducing the need for these assets must be included as a consideration in the cost comparison. This section deals with the gain or loss on those assets (capital or minor) which will be disposed of or transferred by the Government if a decision is made to contract for the product or service.

2. The estimated disposal value, minus the estimated cost of disposal or transfer, that would be realized is considered to be either a revenue or an outflow of funds. The disposal value of an asset may be derived from the useful life and disposal value

table at Appendix C. The table provides a percentage, by Federal stock class, which is multiplied by the acquisition cost to determine value at time of disposal. From the disposal value, subtract an objectively estimated cost of disposal or transfer. Enter this entire amount, the net disposal value, in parenthesis on line 11, for the first performance period, as this gain is a reduction in the cost of contracting. If the cost of disposal or transfer exceeds the disposal value, then enter this amount on line 11, without parenthesis, as this is an addition to the cost of contracting.

3. If an asset is transferred to another Government facility, rather than disposed of, the computation is unchanged; it is presumed that the Government has saved an expenditure equal to the estimated disposal value of the asset. Recovery by disposal or savings by transfer are equivalent for the purpose of this computation.

4. Normally, a gain or loss on disposal of assets will occur during the first performance period. However, there may be cases spelled out in the contract where the contractor will be furnished Government equipment through the first performance period or longer and the disposal or transfer would take place accordingly.

G. FEDERAL INCOME TAX -- Line 12

1. When developing the Government's cost of contract performance, the potential Federal income tax revenue must be considered. Since contract performance would provide the contractor with income subject to tax, an estimated amount of such taxes is an appropriate deduction from the net cost to the Government, unless the prospective contractor is a tax-exempt organization.

2. To simplify the tax computation, a table (Appendix D) prepared by the Internal Revenue Service provides, by types of industry, appropriate tax rates in relation to business receipts. The industry groupings conform to the Enterprise Standard Industrial Classification issued by the Department of Commerce. To determine the amount of estimated Federal income tax, the contract price (line 7 of the CCF) for each period of performance will be multiplied by the applicable tax rate. The estimated amount of Federal income tax will be entered on line 12 as a deduction from the cost of contracting.

H. TOTAL - Line 13

Add lines 7, 8, 9 and 10. If there is a number in parenthesis; i.e., a deduction, in line 11, add to 12 and subtract this total from the total of lines 7 through 10 and enter the difference on line 13. If the number in line 11 is not in parenthesis, it should be added to the total of lines 7 through 10, and then subtract line 12 from the total of lines 7 through 11 and enter the difference on line 13.

PART IV -- COST COMPARISON HANDBOOK

Chapter 4 -- Cost Comparison Decision

A. CONVERSION DIFFERENTIAL -- Line 14

Cost margins have been established by OMB Circular No. A-76 that must be exceeded before converting an in-house commercial activity to contract. A cost margin equal to ten percent of the in-house personnel-related costs (total for all performance periods) must be added to the cost of contracting on the Cost Comparison Form. This amount is added to give consideration to the loss of production, the temporary decrease in efficiency and effectiveness, the cost of retained grade and pay, temporary operation of facilities at reduced capacity and other unpredictable risks that result any time a conversion is made. See worksheet below at Illustration 4-1 for computations.

B. TOTAL AND COMPARISON -- Line 15 and line 16

Once the conversion differential has been computed and all the elements of Contract Performance Costs are known, sum lines 13 and 14 for all performance periods (Total column only). Enter that total on line 15 (Total column only). Then subtract line 6 from line 15 and enter the result on line 16 (Totals column only). A positive result on line 16 supports a decision to accomplish the function in-house, and a negative result supports a decision to contract.

C. COST COMPARISON DECISION -- Line 17

Indicate in the appropriate block on line 17 the decision supported by line 16.

ILLUSTRATION 4-1

Conversion Differential (In-House to Contract)

<u>Category</u>	<u>Worksheet</u> <u>Total Cost for All Performance Periods</u>
Personnel cost (Line 1 of CCF)	1,523,521
Other Personnel Related Cost (Line 3 of CCF, Liability Insurance Portion)	1,066
Overhead (Personnel related cost from worksheet*)	<u>124,535</u>
Total	<u><u>1,649,122</u></u>
Conversion Differential (10% of Total)	164,912 (Enter on CCF, Line 14 under Total Column)

* Illustration 2-8 -- Overhead Cost Worksheet

PART IV -- COST COMPARISON HANDBOOK

Chapter 5 -- Developing Cost Comparison Studies for Expansions, New Requirements and Conversions to In-House Operation

A. GENERAL

This chapter describes the methods and procedures which are necessary to perform a cost comparison study for an expansion, new requirements or conversion of a function from contract to in-house performance (see Part 1, Chapter 1 of the Supplement). Since different costing procedures apply, a separate Cost Comparison Form is provided as Illustration 5-1, Expansions, New Requirements and Conversion to In House --CCF (ENRC). The procedures differ in basically four areas: identification of new or increased costs expected to be incurred, cost of capital on additional assets, one-time conversion costs and minimum cost differentials

B. COSTING METHOD

1. The method described in this Chapter will be used in circumstances (e.g., inadequate competition) when the Government determines it beneficial study a currently contracted function for more economical performance in-house. Also, for a new requirement for a commercial activity or where an expansion of an in-house commercial activity is anticipated and the activity is not justified under an exclusion, a cost comparison study will be performed. Any of these three cases may require a substantial investment in new resources by the Government.

2. The method in Chapters 2 and 3 will be used to develop the cost comparison study. However, for conversions to in-house and new requirements, the preparer must identify increases in cost expected to be incurred. For expansions, first compute the increase related to the expansion portion of the function. Then compute the total impact (existing and expansion) which would result from conversion to contract. In addition to increased personnel and material costs, there might be increased cost because of a requirement for facilities and equipment. The cost of all capital assets not provided to the contractor will be computed using the same depreciation method in Chapter 2. There might also be increases for rent, maintenance and repair, utilities, travel and support provided by the overhead activities. For example, if a G&A activity requires an increase in overtime or at least one position, the personnel and associated support costs would be computed and included on line 4 of the CCF

(ENRC). Those Governmental costs currently being incurred, which would be the same for either in-house or contract operation, must be identified, but shall not be computed.

3. The method for computing the in-house costs of expansions, new requirements or conversions to in-house performance will follow the procedures identified in Chapters 2 and 3 except as noted in this chapter. New procedures are provided for the cost of capital (line 5), one-time conversion cost (line 6) and the cost differential (line 16).

C. COST OF CAPITAL (ON ADDITIONAL ASSETS) -- Line 5

1. An expansion, new requirement or conversion to in-house performance may require substantial new investment by the Government in facilities and equipment. The cost of capital must be computed on those additional and currently owned assets to be used solely by the in-house operation which will not be provided to the contractor.

2. The cost of capital is defined as an imputed charge on the Government's investment in capital assets necessary for the function to provide the products or services. Basically, the imputed charge for the cost of capital is an opportunity cost: if the capital had been devoted to another use, it would have provided other income or avoided interest expense.

3. In order to estimate the cost of capital, it is necessary to identify the acquisition cost of new assets or the net book value of assets acquired by transfer. The cost of new assets results from the sum of purchase price, transportation costs (if not already included in the purchase price) and any installation costs incurred in order to place the asset in operation. The total cost of an asset received through transfer is the sum of the net book value and the transportation and installation costs. The net book value is determined (See Chapter 2, paragraph F.2) by subtracting the accumulated depreciation from acquisition cost of the asset. The net book value must be adjusted by transportation and installation costs before applying the cost of capital. The cost of capital will be computed by applying an opportunity cost rate of ten percent to the determined total cost of both new and transferred assets to be used solely by the in-house Government function. The results of this computation will be entered on line 5 of the CCF (ENRC).

D. ONE-TIME COSTS (FOR EXPANSIONS, NEW REQUIREMENTS AND CONVERSIONS FROM CONTRACT TO IN-HOUSE) -- Line 6

1. New investment by the Government in facilities and equipment should not be included as one-time costs under this section. The costs incurred in acquiring facilities or equipment and installing the equipment should be included in the capitalized cost. These costs will be handled in the sections which deal with depreciation (Chapter 2, paragraph F.2) and the cost of capital on additional assets (Chapter 5, paragraph C).

2. Examples of one-time costs include office and plant rearrangements; employee recruitment, training, relocation expenses; and expenses which are the direct result of discontinuing an existing contract or expanding the in-house operation.

3. Determination of the Government's one-time costs of expansion, new requirements or conversion from contract to in-house should be made in consultation with engineering, production, management and contracting personnel. Supporting documentation should indicate clearly the type of costs anticipated, justification for inclusion and computation methods. The total of the one-time costs shall be allocated to each annual performance period. The cost entry will be determined by dividing the total one-time costs by the number of periods in the cost comparison. However, the one-time costs will be allocated over not less than a three-year period.

4. In addition to one-time costs related to in-house performance on line 6 there are one-time labor-related costs associated with the expansion of an activity. The one-time severance pay, homeowners assistance, relocation and retraining costs for the personnel in the existing activity will be computed using the procedures in Chapter 3, paragraph E.3, and entered on line 12 of the CCF (ENRC).

E. CONVERSION DIFFERENTIAL (FOR EXPANSIONS, NEW REQUIREMENTS AND CONVERSIONS TO IN-HOUSE PERFORMANCE) -- Line 16

1. Before approving a new requirement or a conversion from contract to in-house performance on the basis of cost, OMB Circular No. A-76 has established cost margins which must be exceeded. The cost margin is equal to ten percent of the Government personnel-related cost (in line 1 and line 4) and 25 percent of the acquisition cost of new capital assets; i.e., assets not currently owned by the Government and used solely by the in-house operation.

2. The margin of ten percent of the Government personnel-related cost is consistent with the margin favoring the status quo in studies of in-house activities, and includes the Government's contract termination cost. The 25-percent margin recognizes the risks inherent in Government investment in capital assets.

3. Compute the conversion differential on line 16 based on the "total" column only. First, multiply the personnel costs in lines 1 and 4 by ten percent to obtain the personnel-related cost margin. Second, multiply the acquisition costs of new capital assets not provided to the contractor by 25 percent. Then, sum the two cost margins and enter the result on line 16.

4. Before approving an expansion of an in-house activity on a cost basis, the following cost differentials will be applied: the total of 10 percent of the personnel-related costs of the expansion plus 25 percent of the acquisition cost of the new capital assets required by the proposed expansion; i.e., assets not currently owned by the Government and not provided to the contractor, minus 10 percent of the personnel-related cost of the present activity. For line 16, enter the net difference in the CCF (ENRC) "Total" column. Line 16 can be a positive or negative number. The total cost of the in-house operation (line 17) equals the sum of lines 8 and 16.

F. COST COMPARISON DECISION

The cost comparison decision will be based upon the results obtained for the "total" column of the CCF (ENRC). Subtract the cost of contract operation from the total cost of in-house operation (line 17 minus line 15). Enter the result on line 18 of the CCF (ENRC). On line 19 check the appropriate decision block. A positive result on line 18 supports the decision to contract the function and a negative result supports the decision to accomplish the function in-house.

ILLUSTRATION 5-1

Agency _____ Location _____ Function _____

COST COMPARISON FORM

Expansions, New Requirements and Conversion To In-House Performance (ENRC)

Performance Periods

<u>In-House Performance Costs</u>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Additional</u>	<u>Total</u>	<u>Reference</u>
1. Personnel Cost						
2. Material & Supply						
3. Other Specifically Attributable Costs						
4. Overhead Cost						
5. Cost of Capital						
6. One-Time Conversion Cost (ENRC)						
7. Additional Costs						
8. Total In-House Costs	_____	_____	_____	_____		
<u>Contract Performance Costs</u>						
9. Contract Price						
10. Contract Administration						
11. Additional Costs						
12. One-time Contract Conversion Costs						
13. Gain or Loss on Disposal of Assets (Expansion)						
14. Federal Income Tax (Deduct)	()	()	()	()	()	
15. Total Contract Costs	_____	_____	_____	_____	_____	
<u>Decision</u>						
16. Conversion Differential (For Expansions, note net difference. Chapter V, E.)					_____	
17. Total (Line 8 & 16)					_____	
18. Cost Comparison (Line 17 minus line 15)					_____	
Do the cost comparison calculation only for the total column.						
Positive result on Line 18 supports decision to accomplish function by contract.						
19. Cost Comparison Decision (check block)		/	/	Accomplish In-House		
		/	/	Accomplish by Contract		
	<u>Name/Title/Organization</u>			<u>Signature</u>		<u>Date</u>
In-House Estimate Prepared By:	_____			_____		_____
In-House Estimate Reviewed By:	_____			_____		_____
Cost Comparison Accomplished By:	_____			_____		_____
Cost Comparison Reviewed By:	_____			_____		_____
Cost Comparison Decision Approved By:	_____			_____		_____

PART IV -- COST COMPARISON HANDBOOK

APPENDIX A

SAMPLE MILESTONE SCHEDULE

This sample milestone chart depicts major events of a cost comparison study. There are additional, detailed steps within the events which also need to be considered and planned for: PWS development, contracting actions/acquisition plan, management study/most efficient in-house organization development, independent review, personnel procedures and preplanning, transition process, coordination with interested activities. To assure all actions are completed properly and on-time, agencies/cost study task groups should develop more detailed milestones for each study. The completion date column in the sample milestones is blank because the size of the study or availability of a standard PWS will influence completion dates. However, a good way to put actual dates here is to start with the desired contract start date, and proceed backwards with the RIF notice period, appeal process, etc. Sample milestones follow.

Sample Milestone Schedule

<u>Step</u>	<u>Completion Date</u>	<u>Action Office</u>	<u>Event</u>
1	(Completion dates to be completed by task group based on agency guidance.)	Agency	Approve or direct a cost comparison study. As required, advise unions, employees, Congress (if required) and press.
2		Organization Director or Designee	Establish task group.
3		Task Group	Develop cost comparison milestone chart. If required, initiate Environmental Impact Assessment (EIA). Begin developing the PWS, management study and acquisition plan.
4		Task Group	Submit PWS, most efficient organization from the management study and acquisition plan to Headquarters for review and approval. Submit EIA to Headquarters for an environmental determination, when needed.
5		Headquarters	Approve PWS, most efficient organization and acquisition plan; approve EIA.
6		Contracting Officer	Arrange "Commerce Business Daily" announcement.
7		Contracting Officer	Mail solicitation and notification of pre-proposal/pre-bid conference.

<u>Step</u>	<u>Completion Date</u>	<u>Action Office</u>	<u>Event</u>
8		Contracting Officer	Pre-proposal/pre-bid conference and site visit by potential contractors.
9		Task Group	Complete the in-house cost estimate; sign the CCF and send to independent review agency.
10		Reviewer	Review in-house cost estimate, annotating items needing corrections, if applicable; sign the CCF once corrections are made; and return to task group.
11		Task Group	Submit in-house cost estimate to contracting officer in a sealed envelope.

THEN (FOR A NEGOTIATED ACQUISITION)

12		Contracting Officer	Proposals received; begin negotiations.
13		Contracting Officer	Negotiations completed; notify task group that a best and final offer has been identified.
14		Task Group Chair Person and Contracting Officer or Designee	Enter amount of best and final offer on the CCF; complete remaining lines of the CCF; compare contract versus in-house costs; determine results of cost comparison; sign CCF.
15			If cost effective to contract:
15a		Contracting Officer	Notify contractor that contract shall be awarded if remains more economical after possible appeals. Obtain price extension if necessary; announce cost comparison result; and, upon request, make the CCF available for review by directly affected parties.
15b		Organization Director or Designee	After the public review period and resolution of possible appeals, approve and sign the CCF.

<u>Step</u>	<u>Completion Date</u>	<u>Action Office</u>	<u>Event</u>
15c		Contracting Officer	Make contract award.
15d		Personnel Office	Issue RIF notices.
15e		Contracting Officer	Contract start date.
16			If cost effective to remain in-house:
16a		Contracting Officer	Announce cost comparison result; and, upon request, make CCF available for public review.
16b		Organization Director or Designee	After the public review period and resolution of possible appeals, approve and sign the CCF.
16c		Contracting Officer	Cancel solicitation.
16d		Organization Director or Designee	Initiate manpower reprogramming actions to reflect the in-house staffing estimate.

THEN (FOR FORMALLY ADVERTISED ACQUISITION)

17		Contracting Officer	Bids received/bids opened.
18		Task Group Chairperson and Contracting Officer	Enter amount of low bid on the CCF; complete remaining lines of the CCF; compare contract versus in-house costs; determine results of the cost comparison; sign the CCF; announce cost comparison results; and, upon request, make the CCF available for public review.
19			If cost effective to contract:
19a		Contracting Officer	Determine contractor responsibility, including preaward survey if necessary.

<u>Step</u>	<u>Completion Date</u>	<u>Action Office</u>	<u>Event</u>
19b		Task Group	If the selected bidder is other than the previously announced apparent low bidder, revise the CCF.
19c		Organization Director or Designee	After the public review period, resolution of possible appeals and final selection of the contractor, approve and sign the CCF.
19d		Contracting Officer	Award contract.
19e		Personnel Office	Issue RIF notices.
19f		Contracting Officer	Contract start date.
20			If cost effective to remain in-house, follow steps 16a to 16d.

PART IV — COST COMPARISON HANDBOOK

APPENDIX B

NARRATIVE FLOW CHART FOR COST COMPARISON PROCESS

- Step 1: Identify the function under study and determine type of study; i.e., existing Government activity (Chapters 2, 3 and 4) or expansion, new requirement or conversion back to in-house (Chapter 5).
- Step 2: Establish Task Group to perform management study in conjunction with performance work statement development. This will be the basis for cost study development.
- Step 3: Identify the operations overhead.
- Step 4: Define and identify all General and Administrative (G&A) activities whether internal or external to the installation (region) encompassing the function under study.
- Step 5: Calculate personnel cost.
- Step 6: Calculate material and supply costs.
- Step 7: Calculate other specifically attributable costs.
- Step 8: Are there at least 10 FTE's in the function under study? (This assumes a cost study is being done regardless of the number of FTE's.)
- If yes, go to step 9.
- If no, go to step 12.
- Step 9: Determine if overtime or at least one position within operations overhead can be eliminated.
- If no, go to next step.
- If yes, calculate estimated savings using the appropriate elements of expense.
- Step 10: Determine if overtime or at least one position can be eliminated for any activity within the G&A overhead category.
- If no, go to next step.
- If yes, calculate estimated savings using the appropriate elements of expense.
- Step 11: Total savings from steps 9 and 10 and enter on line 4 of CCF.

- Step 12: Determine if there are any additional costs for the function under study that would not logically fit into one of the previous categories.
- If no, sum all previous lines and enter total on line 6.
If yes, calculate, document and enter result on line 5. Total all in-house costs on line 6.
- Step 13: Determine the number of full-time equivalent (FTE) positions within the most efficient organization and then refer to sliding scale, Table 3-1. Determine the contract administration staffing requirement that corresponds to the number of FTEs in the most efficient organization. The cost related to these requirements will be developed according to paragraph 2-D and the estimated contract administrative cost will be entered on line 8 of the cost comparison form for each year of the study (ensure inflation was added per paragraph 2-D.).
- Step 14: Determine if there are any additional costs to the Government as a result of the possible contract other than Contract Price and Contract Administration. Some examples are transportation and purchased services.
- If no, move to next step.
If yes, calculate, document and enter cost on line 9.
- Step 15: Estimate one-time (nonrecurring) costs the Government incurs as a result of the conversion to contract. Some examples are transfer or disposal of material, severance pay, homeowner assistance and penalty fees for termination of lease agreements.
- If no, go to next step.
If yes, calculate, document and enter cost on line 10 of the CCF.
- Step 16: Determine if any capital assets currently being used in-house will be transferred to other Government activities or turned in for disposal (Public Sale) as a result of going contract.
- If no, go to next step.
If yes, list those items for transfer or disposal and determine their disposal value. Subtract their costs of transfer or disposal from the disposal value. If this answer is positive, place answer in parenthesis on line 11 of the CCF. If this answer is negative; i.e., the cost value of disposal or transfer is greater than the disposal value, place this number in line 11 without parenthesis.
- Step 17: Determine the standard industrial classification of the function under study from the listing at Appendix D and choose the appropriate tax rate. If more than one classification applies, develop a weighted average tax rate. Place this tax rate percentage in the margin beside line 12 on the CCF for use after bid opening.

- Step 18: Total the personnel related cost; i.e., all of line 1 and the personnel-related portions of line 4 of CCF; and take 10 percent of this total and place on line 14 of the CCF.
- Step 19: After the independent review, secure the CCF and all supporting documentation locally. Provide a copy of the CCF in a sealed envelope to the Contracting Officer to be secured with other sealed bids.
- Step 20: During bid opening or after completion of negotiations, enter the selected bid or negotiated price on line 7 of CCF.
- Step 21: Multiply the percentage in the margin beside line 12 by the contract price in line 7. Do this for each year and enter these results in parenthesis on line 12 to later be subtracted from contract costs.
- Step 22: Add lines 7, 8, 9 and 10. If there is a number in parenthesis; i.e., a deduction, in line 11, add to line 12 and subtract this total from the total of lines 7 through 10 and enter the difference on line 13. If the number in line 11 is not in parenthesis it should be added to the total of lines 7 through 10, and then subtract line 12 from the total of lines 7 through 11 and enter the difference on line 13.
- Step 23: Add lines 13 and 14 and place total on line 15 of each period of the study.
- Step 24: Subtract line 6 from line 15 and place result on line 16 for each period of the study.
- Step 25: If the number on line 16 is positive, mark the appropriate block on line 17 to indicate accomplished in-house. If the number on line 16 is negative, mark the other block on line 17 indicating accomplished by contract.

PART IV -- COST COMPARISON HANDBOOK

APPENDIX C

USEFUL LIFE* AND DISPOSAL VALUE TABLE

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
	Guns, through 30mm	15	3.15
	Guns, over 30mm up to 75mm		1.18
	Guns, 75mm through 125mm	25	0.63
	Guns, over 125mm through 200mm		2.14
	Guns, over 200mm through 300mm		2.61
1040	Chemical Weapons and Equipment	16	
	Launchers, Rocket and Pyrotechnic	15	2.00
1080	Camouflage and Deception Equipment	10	1.75
1090	Assemblies Interchangeable between Weapons in Two or More Classes	25	2.25
1095	Misc. Weapons		1.06
1135	Fusing and Firing Devices, Nuclear Ordnance	16	0.08
1190	Specialized Test and Handling Equipment, Nuclear Ordnance	8	0.60
1220	Fire Control Computing Sights and Devices	8	0.29
1230	Fire Control System, Complete	11	
1240	Optical Sighting and Ranging Equipment	11	1.80
1250	Fire Control Stabilizing Mechanisms	11	1.76
1260	Fire Control Designating and Indicating Equipment	12	0.58
1265	Fire Control Transmitting and Receiving Equipment, except Airborne	11	0.39
1270	Aircraft Gunnery Fire Control Components		0.22
1285	Fire Control Radar Equipment, except Airborne		1.19
1290	Misc. Fire Control Equipment	19	0.79
1340	Rockets, Rocket Ammo and Rocket Components	18	3.62
1375	Demolition Materials		
1377	Cartridge and Propellant Activated Devices and Components		1.28
1398	Specialized Ammo Handling and Servicing Equipment	12	0.52

* There is no expected useful life for those items left blank.

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
1410	Guided Missiles	19	1.55
1420	Guided Missile Components	15	0.13
1430	Guided Missile Remote Control Systems	19	0.45
1440	Launchers, Guided Missile	17	0.66
1450	Guided Missile Handling and Servicing Equipment	17	0.65
1560	Airframe Structural Components	20	2.48
1610	Aircraft Propellers	10	4.58
1615	Helicopter Rotor Blades, Drive Mechanisms and Components	10	3.52
1620	Aircraft Landing Gear Components	10	2.71
1630	Aircraft Wheel and Brake Systems	10	4.92
1650	Aircraft Hydraulic, Vacuum and De-icing System Components	10	2.19
1660	Aircraft Air Conditioning, Heating and Pressurizing Equipment	10	2.23
1670	Parachutes; Aerial Pick Up, Delivery, Recovery Systems and Cargo Tie Down Equipment	7	5.52
1680	Misc. Aircraft Accessories and Components	7	1.92
1720	Aircraft Launching Equipment	25	1.91
1730	Aircraft Ground Servicing Equipment	20	3.12
1740	Airfield Specialized Trucks and Trailers		6.37
1905	Combat Ships and Landing Vessels	20	2.53
1915	Cargo and Tanker Vessels	30	8.54
1925	Special Service Vessels	25	8.54
1930	Barges and Lighters, Cargo	27	11.05
1935	Barges and Lighters, Special Purpose	30	19.83
1940	Small Craft	23	6.35
1945	Pontoons and Floating Docks	30	14.42
1990	Misc. Vessels		8.74
2010	Ship and Boat Propulsion Components	20	10.26
2030	Deck Machinery		3.31
2040	Marine Hardware and Hull Items	20	16.57
2050	Buoys		11.05
2090	Misc. Ship and Marine Equipment		4.81

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
2210	Locomotives	29	16.51
2220	Rail Cars	40	10.27
2230	Right-of-Way Construction and Maintenance Equipment, Railroad	20	18.69
2240	Locomotive and Rail Car Accessories and Components		9.98
2250	Track Materials, Railroad		41.00
2305	Ground Effect Vehicles	15	
2310	Passenger Motor Vehicles	See Below	17.00
	Passenger Cars and Station Wagons	6	
	Buses (11 or more passengers)	8	
	Ambulances	7	
2320	Trucks and Truck Tractors, Wheeled	See Below	17.96
	Less than 12,500 (payload 1 ton and less)	6	
	12,500 through 16,999 (payload, 1-1/2 through 2-1/2 tons)	7	
	17,000 and over (payload, 3 tons and over)	9	
	Multiple Drive Vehicles	6	
2330	Trailers	23	10.09
2340	Motorcycles, Motor Scooters and Bicycles	12	27.31
2350	Combat, Assault and Tactical Vehicles, Tracked	14	32.82
2410	Tractors, Full Track, Low Speed	14	27.62
2420	Tractors, Wheeled	13	22.70
2430	Tractors, Track Laying, High Speed		7.42
2510	Vehicular Cab, Body and Frame Structural Components	10	14.18
2520	Vehicular Power Transmission Components	12	16.22
2530	Vehicular Brake, Steering, Axle, Wheel and Track Components	12	12.17
2540	Vehicular Furniture and Accessories	18	6.95
2590	Misc. Vehicular Components	10	7.04
2805	Gasoline Reciprocating Engines, except Aircraft and Components	7	5.68
2810	Gasoline Reciprocating Engines, Aircraft and Components		3.43
2815	Diesel Engines and Components		13.33
2835	Gas Turbines and Jet Engines, except Aircraft and Components	15	3.59
2840	Gas Turbines and Jet Engines, Aircraft, and Components		1.77
2845	Rocket Engines and Components		0.11

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
2910	Engine Fuel System Components, Nonaircraft		8.01
2915	Engine Fuel System Components, Aircraft		3.01
2920	Engine Electrical System Components, Nonaircraft		10.32
2925	Engine Electrical System Components, Aircraft		7.94
2930	Engine Cooling System Components, Nonaircraft		21.96
2935	Engine Cooling System Components, Aircraft		7.41
2945	Engine Air and Oil Filters, Strainers and Cleaners, Aircraft		1.71
2950	Turbosuperchargers		8.26
2990	Misc. Engine Accessories, Nonaircraft		7.77
2995	Misc. Engine Accessories, Aircraft		4.10
3010	Torque Converters and Speed Changers		5.93
3020	Gears, Pulleys, Sprockets and Transmission Chain		4.64
3040	Misc. Power Transmission Equipment		3.22
3110	Bearings, Antifriction, Unmounted		22.14
3120	Bearings, Plain, Unmounted		4.78
3130	Bearings, Mounted		7.80
3210	Sawmill and Planing Mill Machinery	15	28.41
3220	Woodworking Machines	15	27.37
3405	Saws and Filing Machines	20	30.87
3408	Machining Centers and Way-Type Machines		7.49
3410	Electrical and Ultrasonic Erosion Machines	10	9.75
3411	Boring Machines	20	49.61
3413	Drilling and Tapping Machines	15	40.16
3414	Gear Cutting and Finishing Machines	10	29.58
3415	Grinding Machines	15	35.06
3416	Lathes	20	39.84
3417	Milling Machines	20	28.22
3418	Planners and Shapers	20	27.66
3419	Misc. Machine Tools	15	17.92
3422	Rolling Mills and Drawing Machines	10	68.35
3424	Metal Heat Treating and Non-Thermal Treating Equipment	25	11.72
3426	Metal Finishing Equipment	20	6.63

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
3431	Electric Arc Welding Equipment	10	9.87
3432	Electric Resistance Welding Equipment	15	9.90
3433	Gas Welding, Heat Cutting and Metalizing Equipment	15	6.76
3436	Welding Positioners and Manipulators	30	26.88
3438	Misc. Welding Equipment	10	4.88
3439	Misc. Welding, Soldering and Brazing Supplies and Accessories	5	10.98
3441	Bending and Forming Machines	25	42.25
3442	Hydraulic and Pneumatic Presses, Power Driven	10	20.14
3443	Mechanical Presses, Power Driven	11	59.41
3444	Manual Presses	30	29.67
3445	Punching and Shearing Machines	15	44.83
3446	Forging Machinery and Hammers	20	77.56
3447	Wire and Metal Ribbon Forming Machines		24.60
3448	Riveting Machines	10	14.12
3449	Misc. Secondary Metal Forming and Cutting Machines	10	35.22
3450	Machine Tools, Portable	20	13.28
3455	Cutting Tools for Machine Tools		9.89
3460	Machine Tool Accessories	15	17.41
3461	Accessories for Secondary Metalworking Machinery		4.32
3465	Production Jigs, Fixtures and Templates	5	2.28
3470	Machine Shop Sets, Kits and Outfits		3.57
3510	Laundry and Dry Cleaning Equipment	13	4.57
3520	Shoe Repairing Equipment	17	8.55
3530	Industrial Sewing Machines and Mobile Textile Repair Shops	12	15.03
3540	Wrapping and Packaging Machinery	9	7.35
3590	Misc. Service and Trade Equipment	10	9.10
3605	Food Products Machinery and Equipment	30	10.53
3610	Printing, Duplicating and Bookbinding Equipment	16	4.31
3611	Industrial Marking Machines	10	2.20
3615	Pulp and Paper Industries Machinery	10	7.49
3620	Rubber and Plastics Working Machinery	8	45.18
3625	Textile Industries Machinery		12.76
3635	Crystal and Glass Industries Machinery	10	2.61
3650	Chemical and Pharmaceutical Products Manufacturing Machinery		7.85

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
3655	Gas Generating and Dispersing Systems	12	7.35
3660	Industrial Size Reduction Machinery	9	27.30
3680	Foundry Machinery, Related Equipment and Supplies	10	12.61
3690	Specialized Ammo and Ordnance Machinery and Related Equipment		3.41
3693	Industrial Assembly Machine		0.45
3694	Clean work Stations, Controlled Environment and Related Equipment		6.43
3695	Misc. Special Industry Equipment	4	7.58
3710	Conveyors	12	6.85
3920	Materials Handling Equipment Nonsell Propelled	22	9.07
3930	Warehouse Trucks and Tractors, Self Propelled	See Below	18.60
	<u>Gasoline</u>		
	Fork Truck (2,000 pounds to 6,000 pounds)	8	
	Fork Truck (over 6,000 pounds)	10	
	Tractor	8	
	Crane	12	
	Platform Truck	8	
	Straddle Truck	15	
	<u>Electric</u>		
	All types	15	
3940	Blocks, Tackle, Rigging and Slings		9.61
3950	Winches, Hoists, Cranes and Derricks	13	10.23
3990	Misc. Materials Handling Equipment	30	8.71
4010	Chain and Wire Rope		5.11
4020	Fiber Rope, Cordage and Twine		6.81
4030	Fittings for Rope, Cable and Chain		13.16
4110	Refrigeration Equipment	11	7.07
4120	Air Conditioning Equipment	10	3.82
4130	Refrigeration and Air Conditioning Components	16	4.26
4140	Fans, Air Circulators and Blow Equipment	7	4.79
4210	Fire Fighting Equipment	14	6.55
4220	Marine Lifesaving and Diving Equipment	10	5.65
4230	Decontaminating and Impregnating Equip	17	5.87
4240	Safety and Rescue Equipment	19	2.53

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
4310	Compressors and Vacuum Pumps	10	7.59
4320	Power and Hand Pumps	15	4.27
4330	Certifuges, Separators and Pressure and Vacuum Filters	20	4.90
4410	Industrial Boilers	9	3.78
4420	Heat Exchanges and Steam Condensers		9.73
4430	Industrial Furnaces, Kilns, Lehrs and Ovens	10	6.59
4440	Driers, Dehydrators and Anhydrators	10	4.55
4460	Air Purification Equipment	11	3.71
4510	Plumbing Fixtures and Accessories	15	5.91
4520	Space Heating Equipment and Domestic Water Heaters	8	8.36
4540	Misc. Plumbing, Heating and Sanitation Equipment	8	3.01
4610	Water Purification Equipment	14	4.55
4620	Water Distillation Equipment, Marine and Industrial	15	15.61
4710	Pipe and Tube		7.79
4720	Hose and Tubing, Flexible		6.13
4730	Fittings and Specialities, Hose, Pipe and Tube		4.83
4810	Valves, Powered		2.20
4820	Valves, Nonpowered		4.91
4910	Motor Vehicle, Maintenance and Repair Shop Specialized Equipment	11	6.63
4920	Aircraft Maintenance and Repair Shop Specialized Equipment	20	1.58
4925	Ammo. Maintenance, Repair and Checkout Specialized Equipment	21	1.67
4927	Rocket Maintenance, Repair and Checkout Specialized Equipment		
4930	Lubrication and Fuel Dispensing Equipment	15	5.00
4931	Fire Control Maintenance and Repair Shop Specialized Equipment	9	1.18
4933	Weapons Maintenance and Repair Shop Specialized Equipment	15	1.91
4935	Guided Missile Maintenance, Repair and Checkout Specialized Equipment	19	0.40
4940	Misc. Maintenance and Repair Shop Specialized Equipment	20	4.48

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
5110	Hand Tools, Edged, Nonpowered	10	9.26
5120	Hand Tools, Nonedged, Nonpowered	21	5.53
5130	Hand Tools, Power Driven	10	10.31
5133	Drill Bits, Counterbores and Countersinks, Hand and Machine	10	24.07
5136	Taps, Dies and Collets, Hand and Machine	10	8.08
5140	Tool and Hardware Boxes	20	26.42
5180	Sets, Kits and Outfits of Hand Tools	23	3.83
5210	Measuring Tools, Craftsmen	10	4.87
5220	Inspection Gages and Precision Layout Tools	12	3.17
5280	Sets, Kits and Outfits of Measuring Tools	25	1.01
5410	Prefabricated and Portable Building	8	2.48
5411	Rigid Wall Shelters	20	2.44
5420	Bridges, Fixed and Floating	17	7.25
5430	Storage Tanks	7	6.83
5440	Scaffolding Equipment and Concrete Forms	5	6.83
5445	Prefabricated Tower Structures	23	5.23
5450	Misc. Prefabricated Structure	25	1.30
5670	Architectural and Related Metal Products	10	59.16
5680	Misc. Construction Materials	69	9.59
5805	Telephone and Telegraph Equipment	23	2.37
5810	Communications Security Equipment and Components	16	0.40
5811	Other Cryptologic Equipment and Components	11	1.25
5815	Teletype and Facsimile Equipment	22	0.99
5820	Radio and Television Communications Equipment, except Airborne	8	2.44
5821	Radio and Television Communications Equipment, Airborne	24	1.01
5825	Radio Navigation Equipment, except Airborne	24	1.37
5826	Radio Navigation Equipment, Airborne	24	1.44
5830	Intercommunication and Public Address Systems, except Airborne	24	1.74
5831	Intercommunication and Public Address Systems, Airborne	25	0.61
5835	Sound Recording and Reproducing Equipment	22	1.43
5840	Radar Equipment, except Airborne	23	0.92
5841	Radar Equipment, Airborne	24	0.53

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
5845	Underwater Sound Equipment	13	1.14
5850	Visible and Invisible Light Communication Equipment	24	0.32
5855	Night Vision Equipment, Emitted and Reflected Radiation	25	1.18
5860	Stimulated Coherent Radiation Devices, Components and Accessories	25	0.71
5865	Electronic Countermeasures, Counter Countermeasures and Quick Reaction Capability Equipment	20	0.27
5895	Misc. Communications Equipment	23	0.67
5905	Resistors	8	1.02
5910	Capacitors	8	2.32
5915	Filters and Networks	25	0.93
5920	Fuses and Lightning Arrestors	25	3.12
5925	Circuit Breakers	10	7.49
5930	Switches	10	1.55
5935	Connectors, Electrical	22	20.61
5940	Lugs, Terminals and Terminal Strips	8	1.66
5945	Relays and Solenoids	25	1.36
5950	Coils and Transformers	8	1.35
5955	Piezoelectric Crystals	8	0.65
5960	Electron Tubes and Associated Hardware	8	1.00
5961	Semiconductor Devices and Associated Hardware	8	1.04
5962	Microcircuits, Electronic	8	0.54
5963	Electronic Modules	8	
5965	Headsets, Handsets, Microphones and Speakers	24	4.28
5970	Electrical Insulators and Insulating Materials	8	34.93
5975	Electrical Hardware and Supplies	23	3.73
5977	Electrical Contact Brushes and Electrodes	8	2.08
5985	Antennas, Waveguide and Related Equipment	8	2.02
5990	Synchros and Resolvers	14	1.65
5995	Cable, Cord and Wire Assemblies, Communications Equipment	24	4.16
5999	Misc. Electrical and Electronic Components	20	1.01
6105	Motors, Electrical	10	5.31
6110	Electrical Control Equipment	8	2.45
6115	Generators and Generator Sets, Electrical	19	6.50
6116	Fuel Cell Power Units, Components and Accessories	15	22.88
6120	Transformers: Distribution and Power Station	36	7.87

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
6125	Convertors, Electrical, Rotating	25	2.88
6130	Convertors, Electrical, Nonrotating	22	1.75
6135	Batteries, Primary	15	2.51
6140	Batteries, Secondary	25	6.91
6145	Wire and Cable, Electrical	25	16.29
6150	Misc. Electric Power and Distribution Equipment	15	2.55
6210	Indoor and Outdoor Electric Lighting Fixture	16	3.95
6220	Electric Vehicular Light and Fixtures	10	4.58
6230	Electric Portable and Hand Lighting Equipment	17	3.44
6240	Electric Lamps	10	6.92
6250	Ballasts, Lampholders and Starters	10	3.91
6310	Traffic and Transit Signal Systems	4	3.52
6320	Shipboard Alarm and Signal Systems	4	2.68
6350	Misc. Alarm, Signal and Security Detection Systems	6	1.38
6515	Medical and Surgical Instruments, Equipment and Supplies	9	2.54
6520	Dental Instruments, Equipment and Supplies	8	7.66
6525	X-Ray Equipment and Supplies: Medical Dental, Veterinary	9	3.57
6530	Hospital Furniture, Equipment, Utensils and Supplies	10	4.18
6540	Opticians' Instruments, Equipment and Supplies	10	6.23
6545	Medical Sets, Kits and Outfits	10	5.60
6605	Navigational Instruments	18	0.87
6610	Flight Instruments	17	2.30
6615	Automatic Pilot Mechanisms and Airborne Gyro Components	25	1.17
6620	Engine Instruments	15	3.04
6625	Electrical and Electronic Properties Measuring and Testing Instruments	15	1.55
6630	Chemical Analysis Instruments	5	1.70
6635	Physical Properties Testing Equipment	13	6.62
6636	Environmental Chambers and Related Equipment	10	2.20
6640	Laboratory Equipment and Supplies	20	2.12
6645	Time Measuring Instruments	25	5.54

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
6650	Optical Instruments	8	2.31
6655	Geophysical and Astronomical Instruments	25	2.02
6660	Meteorological Instruments and Apparatus	10	1.05
6665	Hazard-Detecting Instruments and Apparatus	16	1.44
6670	Scales and Balances	18	4.77
6675	Drafting, Surveying and Mapping Instruments	19	2.44
6680	Liquid and Gas Flow, Liquid Level and Mechanical Motion Measuring Instruments	10	2.87
6685	Pressure, Temperature and Humidity Measuring and Controlling Instruments	10	2.53
6695	Combination and Misc. Instruments	8	2.06
6710	Cameras, Motion Pictures	25	5.29
6720	Cameras, Still Picture	24	1.82
6730	Photographic Projection Equipment	25	3.52
6740	Photographic Developing and Finishing Equipment	24	3.32
6750	Photographic Supplies	25	8.64
6760	Photographic Equipment and Accessories	24	1.36
6780	Photographic Sets, Kits and Outfits	22	3.24
6910	Training Aids	20	0.96
6920	Armament Training Devices	20	3.22
6930	Operation Training Devices	21	0.62
6940	Communication Training Devices	21	0.79
7010	ADPE Configuration	8	0.73
7021	ADP Central Processing Unit, Digital	15	0.73
7022	ADP Central Processing Unit, Hybrid	15	
7025	ADP Input/Output and Storage Devices	13	1.01
7030	ADP Software	15	0.97
7035	ADP Accessorial Equipment	13	0.72
7040	Punched Card Equipment	15	0.87
7045	ADP Supplies and Support Equipment	11	1.50
7050	ADP Components	15	0.95
7105	Household Furniture	10	9.94
7110	Office Furniture	10	16.20
7125	Cabinets, Lockers, Bins and Shelving	20	9.47
7195	Misc. Furniture and Fixtures	10	6.17
7310	Food Cooking, Baking and Serving Equipment	12	5.40
7320	Kitchen Equipment and Appliances	18	5.60
7360	Sets, Kits and Outfits: Food Preparation and Serving	10	11.41

<u>FSC No.</u>	<u>Nomenclature</u>	<u>Expected Useful Life (Years)</u>	<u>Disposal Value Factor as a Percent of Acquisition Cost</u>
7420	Accounting and Calculating Machine	12 Electric/ 15 Manual	1.46
7430	Typewriters and Office Type Composing Machines	12 Electric/ 15 Manual	6.10
7450	Office Type Sound Recording and Reproducing Machines	12	1.17
7460	Visible Record Equipment		2.26
7490	Misc. Office Machines	12	3.30
7710	Musical Instruments	12	14.67
7910	Floor Polishers and Vacuum Cleaning Equipment		5.72
8140	Ammo and Nuclear Ordnance Boxes, Packages and Special Containers	15	12.33
8145	Specialized Shipping and Storage Containers	22	6.55
8340	Tents and Tarpaulins	5	4.86
8345	Flags and Pennants	5	8.30
8415	Clothing, Special Purpose	5	10.81
8820	Live Animals, Not Raised for Food	3	55.05
9320	Rubber Fabricated Materials	5	19.40
9340	Glass Fabricated Materials	5	4.14
9515	Armor Plate	10	19.00
9530	Metal Bar	10	47.51
9535	Metal Plate	10	52.44

PART IV -- COST COMPARISON HANDBOOK
APPENDIX D

TAX RATE TABLE

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
<u>Extractive Industries</u>		
10-01-0400	Agriculture production	1.7
10-01-0600	Agricultural services	0.8
20-02-1010	Mining iron ores	3.7
20-02-1070	Mining copper, lead, zinc, gold and silver ores	9.5
20-02-1098	Mining other metals	2.9
20-03-1150	Coal mining	1.7
20-05-1430	Sand, gravel, dimension, crushed and broken stone	2.3
<u>Construction</u>		
30-06-1510	General building (construction)	0.9
30-06-1531	Operative builders (construction)	5.3
30-07-1600	Heavy construction	1.8
30-08-1711	Plumbing, heating, air conditioning	0.7
30-08-1731	Electrical work	0.9
30-08-1798	Other special trades	1.1
<u>Manufacturing</u>		
40-09-2010	Meat products	0.5
40-09-2020	Dairy products	1.9
40-09-2030	Preserved fruits and vegetables	2.4
40-09-2040	Grain mill products	1.8
40-09-2050	Bakery products	2.3
40-09-2060	Sugar and confectionary products	2.4
40-09-2089	Bottled soft drinks and flavorings	3.7
40-09-2096	Other food and kindred products	1.2
40-12-2315	Men's and boys' clothing	2.3
40-12-2345	Women's and children's clothing	2.0
40-12-2388	Other apparel and accessories	1.7
40-12-2390	Other fabricated textile products	1.4
40-13-2415	Logging, sawmills and planing mills	0.7

* The tax rates were developed from estimates obtained from a sample of corporation tax returns with accounting periods ending from July 1, 1982, to June 30, 1983. The rates shown were determined by dividing income tax before credits by business receipts. This information was provided by the Statistics of Income Division of the Internal Revenue Service.

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
<u>Manufacturing (continued)</u>		
40-13-2430	Millwork, plywood, related products	1.7
40-13-2498	Other wood products	1.0
40-14-2500	Furniture and fixtures	2.3
40-15-2625	Pulp, paper and board mills	2.1
40-15-2699	Other paper products	3.5
40-16-2710	Newspapers (printing and publishing)	4.1
40-16-2720	Periodicals (printing and publishing)	2.2
40-16-2735	Books, greeting cards and miscellaneous publishing	3.9
40-16-2799	Commercial and other printing and printing trade services	2.0
40-17-2815	Industrial chemicals, plastics materials and synthetics	1.7
40-17-2830	Drugs	7.5
40-17-2840	Soap, cleaners and toilet goods	3.5
40-17-2850	Paints and allied products	1.9
40-17-2898	Agricultural and other chemical products	2.7
40-18-2998	Petroleum and coal products, not elsewhere classified	5.2
40-19-3050	Rubber products; plastics, footwear, hose and belting	2.1
40-19-3070	Miscellaneous plastics products	1.8
40-20-3140	Leather footwear	2.5
40-20-3198	Leather and leather products not elsewhere classified	1.8
40-21-3225	Glass products	1.4
40-21-3240	Cement, hydraulic	1.7
40-21-3270	Concrete, gypsum and plaster products	1.6
40-21-3298	Other nonmetallic mineral products	1.9
40-22-3370	Ferrous metal industries; miscellaneous primary metal products	2.2
40-22-3380	Nonferrous metal industries	1.4
40-23-3410	Metal cans and shipping containers	1.4
40-23-3428	Cutlery, hand tools and hardware; screw machine products, bolts and similar products	3.4
40-23-3430	Plumbing and heating, except electric and warm air	2.7
40-23-3440	Fabricated structural metal products	2.2
40-23-3460	Metal forgings and stampings	2.2
40-23-3470	Casting, engraving and allied services	1.6

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
<u>Manufacturing (continued)</u>		
40-23-3480	Ordnance and accessories, except vehicles and guided missiles	2.7
40-23-3490	Miscellaneous fabricated metal products	2.6
40-24-3520	Farm machinery	1.5
40-24-3530	Construction and related machinery	3.8
40-24-3540	Metal working machinery	2.6
40-24-3550	Special industry machinery	2.0
40-24-3570	Office and computing machines	8.2
40-24-3598	Other machinery, except electrical	1.9
40-25-3665	Radio, television, communication equipment	1.5
40-25-3670	Electronic components and accessories	3.3
40-25-3698	Other electrical equipment	2.4
40-26-3710	Motor vehicles and equipment	1.1
40-27-3725	Aircraft, guided missiles and parts	1.3
40-27-3730	Ship and boat building and repairing	2.0
40-27-3798	Other transportation equipment, except motor vehicles	1.4
40-28-3815	Scientific instruments and measuring devices; watches and clocks	4.0
40-28-3845	Optical, medical and ophthalmic goods	3.3
40-28-3860	Photographic equipment and supplies	4.4
40-29-3998	Miscellaneous manufacturing and manufacturing not allocable	2.3
<u>Transportation And Utilities</u>		
50-30-4000	Railroad transportation	1.4
50-30-4100	Local and interurban passenger transit	1.5
50-30-4200	Trucking and warehousing	1.7
50-30-4400	Water transportation	1.7
50-30-4500	Transportation by air	1
50-30-4600	Pipe lines, except natural gas	2.2
50-30-4700	Transportation services not elsewhere classified	0.8
50-31-4825	Telephone, telegraph and other communication services	3.0
50-31-4830	Radio and Television broadcasting	4.4
50-32-4910	Electric services	3.3
50-32-4920	Gas production and distribution	1.2
50-32-4930	Combination utility services	4.6
50-32-4990	Water supply and other sanitary services	4.1

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
<u>Wholesale Trade</u>		
61-33-5004	Groceries and related products	0.4
61-34-5008	Machinery, equipment and supplies	1.1
61-35-5010	Motor vehicles and automotive equipment	2.1
61-35-5030	Lumber and construction materials	0.8
61-35-5050	Metals and minerals, except petroleum and scrap	0.6
61-35-5060	Electrical goods	1.0
61-35-5070	Hardware, plumbing and heating	1.0
61-35-5098	Other durable goods	0.9
61-35-5110	Paper and paper products	0.7
61-35-5129	Drugs, chemicals and allied products	0.8
61-35-5130	Apparel, piece goods and notions	1.3
61-35-5150	Farm-product raw materials	0.2
61-35-5170	Petroleum and petroleum products	0.4
61-35-5180	Alcoholic beverages	0.4
61-35-5190	Miscellaneous nondurable goods; wholesale trade not allocable	0.7
<u>Retail Trade</u>		
62-36-5220	Building materials dealers	1.2
62-36-5251	Hardware stores	1.0
62-36-5265	Garden supplies and mobile home dealers	0.7
62-37-5300	General merchandise stores	1.1
62-38-5400	Food stores	0.6
62-39-5541	Gasoline service stations	0.3
62-39-5598	Other automotive dealers	0.7
62-40-5600	Apparel and accessory stores	1.4
62-41-5700	Furniture and home furnishings stores	1.7
62-42-5800	Eating and drinking places	1.4
62-43-5912	Drug stores and proprietary stores	1.0
62-43-5921	Liquor stores	0.4
62-43-5995	Other retail stores	1.0
63-44-5997	Wholesale and retail trade not allocable	1.5
<u>Services</u>		
80-52-7000	Hotels and other lodging places	2.3
80-53-7200	Personal services	1.7
80-54-7310	Advertising services	1.3
80-54-7389	Business services, except advertising	1.8
80-55-7500	Auto repair and services	1.2
80-55-7600	Miscellaneous repair services	1.2

<u>CODE NO.</u>	<u>INDUSTRY</u>	<u>TAX RATE (%)</u>
	<u>Services (continued)</u>	
80-56-7812	Motion picture production, distribution and services	3.4
80-56-7830	Motion picture theaters	2.4
80-56-7900	Amusement and recreation services, except motion pictures	2.3
80-57-8015	Physicians' services	0.7
80-57-8021	Dentists' services	0.5
80-57-8050	Nursing and personal care facilities	1.1
80-57-8071	Medical Laboratories	0.9
80-57-8099	Other medical services	1.5
80-57-8111	Legal services	0.8
80-57-8200	Educational services	2.2
80-57-8980	Miscellaneous services, not elsewhere classified	1.2

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E8. ENCLOSURE 8

SIMPLIFIED COST CONVERSION AND DIRECT CONVERSION OF CAs

A. This enclosure provides guidance on procedures to be followed in order to convert a commercial activity employing 45 or fewer DoD civilian employees to contract performance without a full-cost comparison. DoD Components may directly convert functions with 10 or fewer civilian employees without conducting a simplified cost comparison. Simplified cost comparisons may only be conducted on activities with 45 or fewer DoD civilian employees.

B. Direct conversions with 10 or fewer DoD civilian employees must meet the following criteria:

1. The activity is currently performed by 10 or fewer civilian employees.
2. The direct conversion makes sense from a management or performance standpoint.
3. The direct conversion is cost effective.
4. The installation commander should attempt to place or retrain displaced DoD civilian employees by:
 - a. Placing or retraining employees in available permanent vacant positions, or
 - b. Assigning displaced employees to valid temporary or overhire positions in similar activities for gainful employment until permanent vacancies are available. The type of employee appointment (e.g., career, career-conditional etc., or change from competitive to excepted service or vice versa) must not change, or
 - c. Where no vacancies exist or are projected, offer employees retraining opportunities under the Job Training Partnership Act of reference (w) or similar retraining programs for transitioning into the private sector.
5. The function to be directly converted does not include any DoD civilian positions that were removed with as a result of DoD Component streamlining plans and/or were removed with buyout offers that satisfied Section 5 of the Federal Workforce Restructuring Act (reference (x)) requirements.

C. The following provides general guidance for completion of a simplified cost comparison:

1. Estimated contractor costs should be based on either the past history of similar contracts at other installations or on the contracting officer's best estimate of what would constitute a fair and reasonable price.

2. For activities small in total size (45 or fewer civilian and military personnel):

a. Estimated in-house cost generally should not include overhead costs, as it is unlikely that they would be a factor for a small activity.

b. Similarly, estimated contractor costs generally should not include contract administration, one-time conversion costs, or other contract price add-ons associated with full-cost comparisons.

3. For activities large in total size (45 or fewer civilian employees but a significant number of military personnel) all cost elements should be considered for both in-house and contractor estimated costs.

4. In either case, large or small, the 10 percent conversion differential contained in enclosure 7 should be applied.

5. Enclosure 7 shall be utilized to define the specific elements of cost to be estimated.

6. Clearance for CA simplified cost comparison decisions are required for Agencies without their own Legislative Affairs (LA) and Public Affairs (PA) offices. Those Agencies shall submit their draft decision brief to the Deputy Secretary of Defense for Installations, Room 3E813, the Pentagon, Washington, DC 20301 for release to Congress.

7. Provide CA simplified cost comparison approvals containing a certification of the MEO analysis, a copy of the approval to convert, a copy of the cost comparison with back-up data, before conversion to the following:

a. Committee on Appropriations of the House of Representatives and the Senate (11-45 civilian employees only).

b. Copies to the following:

(1) Assistant Secretary of Defense (LA), Room 3D918, the Pentagon, Washington, DC 20301.

(2) Assistant Secretary of Defense (PA), Room 2E757, the Pentagon, Washington, DC 20301.

(3) Office of Economic Adjustment, Room 4C767, the Pentagon, Washington, DC 20301.

(4) Deputy Assistant Secretary of Defense for (Installations), Room 3E813, the Pentagon, Washington, DC 20301. (Exception - no copies required from Agencies that do not have legislative and public affairs offices.)

8. Most Efficient and Cost-Effective Analysis for Contractor Performance of an Activity (Report Control Symbol DD-A&T(AR)1951). The installation commander must certify that the estimated in-house cost for activities involving 11 to 45 DoD civilian employees are based on a completed most efficient and cost effective organization analysis. Certification of this MEO analysis, as required by Public Law 103-335 (reference (y)), shall be provided to the Committee on Appropriations of the House of Representatives and the Senate before conversion to contract performance.

E9. ENCLOSURE 9

COMMERCIAL ACTIVITIES MANAGEMENT INFORMATION SYSTEM (CAMIS)

Each DoD Component shall create and manage their CAMIS database. The CAMIS database shall have a comprehensive edit check on all input data in the computerized system. All data errors in the CAMIS database shall be corrected as they are found by the established edit check program. The data elements in Enclosure 9 of this Instruction represents the DoD minimum requirements.

On approval of a full-cost comparison a simplified cost comparison, or a direct conversion CA, the DoD Component shall create the initial entry using the data elements in Part I for full-cost comparison and data elements in Part II for all other conversions. Within 30 days of the end of each quarter the DoD Component shall submit a floppy diskette. Data files must be in American Standard Code Information Interchange text file format on a Microsoft-Disk Operating System formatted 3.5 inch floppy diskette. Provide submissions in the Defense Utility Energy Reporting System format. The data shall be submitted to the Director, Installations Management (D, IM) 400 Army Navy Drive, Room 206, Arlington, VA 22202-2884 at least 60 days prior to the end of the quarter. The D, IM shall use the automated data to update the CAMIS. If the DoD Component is unable to provide data in an automated format, the D, IM shall provide quarterly printouts of cost comparison records (CCR) and conversion and/or comparison records (DCSCCR) that may be annotated and returned within 30 days of the end of each quarter to the D, IM. The D, IM then shall use the annotated printouts to update the CAMIS.

PART I - COST COMPARISON

The record for each full-cost comparison is divided into six sections. Each of those sections contains information provided by the DoD Components. The first five sections are arranged in a sequence of milestone events occurring during a cost comparison. Each section is completed immediately following the completion of the milestone event. These are as follows.

1. Cost comparison is approved by DoD Component.
2. Solicitation is issued.
3. In-house and contractor costs are compared.

4. Contract is awarded or solicitation is canceled.

5. Contract starts.

The events in sub-Parts I 1. through I 5., above, are used as milestones because upon their completion some elements of significant information on the cost comparison become known.

A sixth section is utilized for tracking historical data after the cost comparison is completed. This section contains data elements concerning contracts and cost information during the second and performance period.

The data elements comprise the six sections in Part I, above, are defined in the CAMIS Entry and Update Instructions, Part I - Cost Comparison, below.

PART II - DIRECT CONVERSION AND SIMPLIFIED COST COMPARISONS

The record for each direct conversion and simplified cost comparison is into six sections. Each of the first five sections is completed immediately following the completion of the following events:

1. DoD Component approve CA action.
2. The solicitation is issued.
3. In-house and contractor costs are compared.
4. Contract is awarded or solicitation is canceled.
5. Contract starts.

A sixth section is utilized for tracking historical data after the direct conversion or simplified cost comparison is completed. This section contains data elements on contracts and cost information during the second and third performance period.

The data elements that comprise the six sections in Part II, above, are defined in the CAMIS Entry and Update section, Part II - Direct Conversions and Simplified Cost Comparisons, below.

CAMIS ENTRY AND UPDATE INSTRUCTIONS

PART I - COST COMPARISONS

The bracketed number proceeding each definition in Section One through Six, below, is the DoD data element number. All data fields should be in the format YYMMDD (Data element reference DA-FA).

SECTION ONE

EVENT: DoD COMPONENT APPROVES CONDUCTING A COST COMPARISON

All entries in this section of the CCR shall be submitted by DoD Components on the first quarter update after approving the start of a cost comparison. These entries shall be used to establish the CCR and to identify the geographical, organizational, political, and functional attributes of the activity (or activities) undergoing cost comparison as well as to provide an initial estimate of the manpower associated with the activity (or activities). The initial estimate of the manpower in this section of the CCR will be, in all cases, those manpower figures identified in the correspondence approving the start of the cost comparison.

DoD Components shall enter the following data elements to establish a CCR:

[1] COST COMPARISON NUMBER. The number assigned by the DoD Component to uniquely identify a specific cost comparison. The first character of the cost comparison number must be a letter designating the DoD Component as noted in the element [3], below. The cost comparison number may vary in length from 5 to 10 characters, of which the second and subsequent may be alpha or numeric and assigned under any system by the DoD Component.

[2] ANNOUNCEMENT AND/OR APPROVAL DATE. Date Congress is notified when required by Section 2461, reference (g), of this Instruction or date DoD Component approves studies being performed by 45 or fewer DoD civilian employees.

[3] DoD COMPONENT CODE. Use the following codes to identify the Military service or Defense Agency/Field Activity conducting the cost comparison.

A - Department of the Army

B - Defense Mapping Agency (DMA)

D - Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) [3D1]

D - Washington Headquarters Service (WHS) [3D2]

F - Department of the Air Force

G - National Security Agency/Central Security Service (NSA/CSS)

H - Defense Nuclear Agency (DNA)

J - Joint Chiefs of Staff (JCS) (including the Joint Staff, Unified and Specified Commands, and Joint Service Schools)

K - Defense Information Systems Agency (DISA)

L - Defense Intelligence Agency (DIA)

M - United States Marine Corps (USMC)

N - United States Navy (USN)

R - Defense Contract Audit Agency (DCAA)

S - Defense Logistics Agency (DLA)

T - Defense Security Assistance Agency (DSAA)

V - Defense Investigative Service (DIS)

W - Uniformed Services University of the Health Sciences (USUHS)

Y - On-Site Inspection Agency (OSIA)

2 - Defense Finance & Accounting Service (DFAS)

3 - Defense Commissary Agency (DeCA)

4 - Defense Technical Information Center (DTIC)

5 - U.S. Army Corps of Engineers (USACE) Civil Works

[4] **COMMAND CODE.** The code established by the DoD Component headquarters to identify the command responsible for operating the CA undergoing cost comparison.

[5] **INSTALLATION CODE.** The code established by the DoD Component headquarters to identify the installation where the CA(s) under cost comparison is and/or are located physically. Two or more codes (for cost comparison packages encompassing more than one installation) should be separated by commas.

[5A] **INSTALLATION NAME.** The installation name(s) for data element [5], above.

[6] **STATE CODE.** A two-position numeric code for the State (Data element reference ST-GA.) or U.S. Territory (FIPS 55-2), as shown in enclosure 4, attachment 4-1-1, of this Instruction, where element [5] is located. Two or more codes shall be separated by commas.

[7] **CONGRESSIONAL DISTRICT (CD).** Number of the CDs where [5], above, is located. If representatives are elected "at large," enter "01 " in this data element; for a delegate or resident commissioner (i.e., District of Columbia or Puerto Rico), enter "98." If the installation is located in two or more CDs, all CDs should be entered and separated by commas.

[8] (Leave blank)

[9] **TITLE OF COST COMPARISON.** The title that describes the CA(s) under cost comparison (for instance, "Facilities Engineering Package," "Installation Bus Service," or "Motor Pool"). Use a clear title, not acronyms or function codes in this data element.

[10] **DoD FUNCTIONAL AREA CODE(S).** The four- or five-alpha and/or numeric character designators listed in enclosure 3 of this Instruction that describe the type of CA undergoing cost comparison. There would be one code for a single CA or possibly several codes for a large cost comparison package. A series of codes shall be separated by commas.

[11] **PRIOR OPERATION CODE.** A single alpha character that identifies the mode of operation for the activity at the time the cost comparison is

started. Despite the outcome of the cost comparison, this code does not change. The coding is as follows:

C - Contract

E - Expansion

I - In-house

N - New requirement

[12] COST COMPARISON STATUS CODE. A single alpha character that identifies the current status of the cost comparison. Enter one of the following codes:

B - Broken out. The cost comparison Package has been broken into two or more, separate cost comparisons. The previous CCR shall be excluded from future updates. (See data element [15], below.)

C - Complete

P - In progress

X - Canceled. The CCR shall be excluded from future updates.

Z - Consolidated. The cost comparison has been consolidated with one or more other cost comparisons into a single cost comparison package. The CCR for the cost comparison that has been consolidated shall be excluded from future updates. (See data element [15], below.)

[13] ANNOUNCEMENT--PERSONNEL ESTIMATE CIVILIAN, AND [14] ANNOUNCEMENT--PERSONNEL ESTIMATE MILITARY. The number of civilian and military personnel allocated to the CAs undergoing cost comparison when the cost comparison is approved by the DoD Component or announced to Congress. This number in all cases shall be those personnel figures identified in the correspondence announcing the start of a cost comparison and will include authorized positions, temporaries, and borrowed labor. The number is used to give a preliminary estimate of the size of the activity.

[15] REVISED AND/OR ORIGINAL COST COMPARISON NUMBER. When a consolidation occurs, create a new CCR containing the attributes of the consolidated cost comparison. In the CCR of each cost comparison being

consolidated, enter the cost comparison number of the new CCR in this data element and code "Z" in data element [12], above. In the new CCR, this data element should be blank and data element [12], above, should denote the current status of the cost comparison. Once the consolidation has occurred, only the new CCR requires future updates.

When a single cost comparison is being broken into multiple-cost comparisons, create a new CCR for each cost comparison broken out from the original cost comparison. Each new CCR shall contain its own unique set of attributes; in data element [15], above, enter the cost comparison number of the original cost comparison from which each was derived, and in data element [12], above, enter the current status of each cost comparison. For the original cost comparison, data element [15], above, should be blank and data element [12], above, should have a code "B" entry. Only the derivative record entries require future updates.

When a consolidation or a breakout occurs, an explanatory remark shall be entered in data element [57], below (such as, "part of SW region cost comparison," or, "separated into three, cost comparisons").

[16] (Leave blank)

SECTION TWO

EVENT: THE SOLICITATION IS ISSUED

The entries in this section of the CCR provide information on the personnel authorized to perform the workload in the PWS, the number of workyears used to accomplish the workload in the PWS, and the type and kind of solicitation.

The DoD Component shall enter the following data elements at the first quarterly update subsequent to the issuance of the solicitation:

[17] (Leave blank)

[18] SOLICITATION-TYPE CODE. A one-character alpha designator that identifies the type of solicitation used to obtain contract bids or offers. Use either the CBD as the source document or information received from the contracting officer for this entry. Solicitations under Section 8(a) of "The Small Business Act" (reference (s)) are negotiated.

Enter one of the following codes:

N - Negotiated

S - Sealed Bid

[19] SOLICITATION-KIND CODE. A one-character (or two-character, if "W" suffix is used) alpha designator indicating whether the competition for the contract has been limited to a specific class of bidders or offerers. Use either the CBD as the source document or information received from the contracting officer to enter one of the following codes:

A - Restrict to small business

B - Small Business Administration 8(a) Set Aside

C - "Javits-Wagner-ODay Act" (JWOD)

D - Other mandatory sources

U - Unrestricted

W - (Optional suffix) Unrestricted after initial restriction

[20] CURRENT AUTHORIZED CIVILIANS, AND [21] CURRENT AUTHORIZED MILITARY. The number of civilian and military authorizations allocated on the DoD Component's manpower documents to perform the work described in the PWS. This number refines the initial authorization estimate (Section One, data elements [13] and [14], above).

[22] BASELINE ANNUAL WORKYEARS CIVILIAN, AND [21] BASELINE ANNUAL WORKYEARS MILITARY. The number of annual workyears it has taken to perform the work prescribed by the PWS before the DoD Component conducts the MEO study of the in-house organization. Do not include contract monitor requirements. Military workyears include assigned, borrowed, diverted, and detailed personnel. Less than one-half a year of effort should be rounded down, and one-half a year or more should be rounded up. These workyear figures shall be the baseline for determining the personnel savings identified by the management study.

SECTION THREE

EVENT: THE IN-HOUSE AND CONTRACTOR COSTS OF OPERATION ARE COMPARED

The entries in this section provide information on the date of the cost comparison (initial decision), the preliminary results, the number of bids or offers received, and the costing method used in the cost comparison.

The DoD Component shall enter the following data elements in the first quarterly update subsequent to the date of the comparison of in-house and contractor costs (date of initial decision):

[24] SCHEDULED INITIAL DECISION DATE. Date the initial decision is scheduled at the start of a cost comparison.

[24A] ACTUAL INITIAL DECISION DATE. Date the initial decision is announced. The initial decision is based on the apparent low bid or offer and is subject to pre-award surveys and resolution of all appeals and protests. In a sealed bid procurement, the initial decision is announced at bid opening. In a negotiated procurement, the initial decision is announced when the cost comparison is made between the in-house estimate and the proposal of the selected offeror.

[25] COST COMPARISON PRELIMINARY RESULTS CODE. A one-character alpha designator indicating the results of the cost comparison as announced by the contracting officer at the time the bids or offers are compared. The entries are limited to two possibilities:

C - Contract

I - In-house

[26] (Leave blank)

[27] (Leave blank)

SECTION FOUR

EVENT: THE CONTRACTING OFFICER EITHER AWARDS THE CONTRCT OR CANCELS THE SOLICITAION

The entries in this section identify the final result, information on the contract, the in-house bid, and costing information from the cost comparison record. The DoD Component shall enter the following data elements in the first quarterly update subsequent to the date the contracting officer either awards a contract or cancels the solicitation:

[28] CONTRACT AWARD OR SOLICITATION CANCELLATION DATE. For conversions to contract, this is the date a contract was awarded in a sealed bid solicitation or the date the contractor was authorized to proceed on a conditional award contract in a negotiated solicitation. For retentions in-house, this is the date the solicitation was canceled (when the contracting officer publishes an amendment to cancel the solicitation).

[29] COST COMPARISON FINAL RESULT CODE. A one-character alpha designator identifying the final result of the comparison between in-house and contractor costs; the contracting officer either awards the contract or cancels the solicitation. Enter one of the following codes:

C - Contract

I - In-house

[30] DECISION RATIONALE CODE. A one-character alpha designator that identifies the rationale for awarding a contract or canceling the solicitation. The work shall be performed in-house or by contractor based on cost, for other than cost, or the work shall be performed in-house because no satisfactory commercial source was available (no bids or offers were received or the pre-award survey resulted in the determination that no commercial sources were responsive or responsible). Enter one of the following codes:

C - Cost

N - No satisfactory commercial source

O - Other

[31] (Leave blank)

[31A] PRIME CONTRACTOR SIZE. Enter one of the following;

L - Large business

S - Small or small and/or disadvantaged business

[32] MEO WORKYEARS. The number of annual workyears it takes to perform the work described in the PWS after the MEO study has been conducted. This entry will be equal to the number of annual workyears in the in-house bid.

For data elements [33] through [36], below, enter all data after all adjustments required by appeal board decisions. Do not include the minimum cost differential (line 14 in the CCF or line 16 in the ENRC CCF) in the computation of any of these data elements. If a valid cost comparison was not conducted (i.e., all bidders or offerers disqualified, no bids or offers received, etc.) do not complete data elements [33], [34] and [36], below. Explain lack of valid cost data in data element [57], "DoD Component Comments," below.

[33] FIRST PERFORMANCE PERIOD. Expressed in months, the length of time covered by the contract. Do not include any option periods.

[34] COST COMPARISON PERIOD. Expressed in months, the total period of operation covered by the cost comparison; this is the period used as the basis for data elements [35] and [36], below.

[35] TOTAL IN-HOUSE COST (\$000). Enter the total cost of in-house performance in thousands of dollars, rounded to the nearest thousand. This is the total of line 6 of the new CCF or line 8 of the ENRC CCF. An entry is required although the activity remains in-house due to absence of a satisfactory commercial source.

[36] TOTAL CONTRACT COST (\$000). Enter the total cost of contract performance in thousands of dollars, rounded to the nearest thousand. This is the total of line 13 of the CCF or line 15 of the ENRC CCF.

[37] SCHEDULED CONTRACT OR NEO START DATE. Date the contract and/or MEO was scheduled to start at the beginning of a cost comparison.

SECTION FIVE

EVENT: THE CONTRACT/MEO STARTS

The entries in this section identify the contract or MEO start date and the personnel actions taken as a result of the cost comparison.

The DoD Component shall enter the following data elements in the first quarterly update subsequent to the start of the contract:

[38] CONTRACT/MEO START DATE. The actual date the contractor began operation of the contract or the Government implements the MEO.

[39] PERMANENT EMPLOYEES REASSIGNED TO EQUIVALENT POSITIONS. The number of permanent employees who were reassigned to positions of equivalent grade as of the contract start date.

[40] PERMANENT EMPLOYEES CHANGED TO LOWER POSITIONS. The number of permanent employees who were reassigned to lower grade positions as of the contract start date.

[41] EMPLOYEES TAKING EARLY RETIREMENT. The number of employees who took early retirement as of the contract start date.

[42] EMPLOYEES TAKING NORMAL RETIREMENT. The number of employees who took normal retirement as of the contract start date.

[43] PERMANENT EMPLOYEES SEPARATED. The number of permanent employees who were separated from Federal employment as of the contract start date.

[44] TEMPORARY EMPLOYEES SEPARATED. The number of temporary employees who were separated from Federal employment as of the contract start date.

[45] EMPLOYEES ENTITLED TO SEVERANCE PAY. The estimated number of employees entitled to severance pay on their separation from Federal employment as of the contract start date.

[46] TOTAL AMOUNT OF SEVERANCE ENTITLEMENTS (\$000). The total estimated amount of severance to be paid to all employees, in thousands of dollars, rounded to the nearest thousand, as of the contract start date.

[47] NUMBER OF EMPLOYEES HIRED BY THE CONTRACTOR. The number of estimated DoD civilian employees (full-time or otherwise) that will be hired by the contractors, or their subcontractors, at the contract start date.

ADMINISTRATIVE APPEAL

[48] FILED. Were administrative appeals filed?

N - No

Y - Yes

[49] SOURCE. Who filed the appeal?

B - Both

C - Contractor

I - In-house

[50] RESULT. Were the appeals finally upheld? (If both appealed, explain result in data element [57], below.)

N - No

P - Still in progress

Y - Yes

GAO PROTEST

[51] FILED. Was a protest filed with GAO?

N - No

Y - Yes

[52] SOURCE. Who filed the protest?

B - Both

C - Contractor

I - In-house

[53] RESULT. Was the protest finally upheld? (Explain result in data element [57], below.)

N - No

P - Still in progress

Y - Yes

ARBITRATION

[54] REQUESTED. Was there a request for arbitration?

N - No

Y - Yes

[55] RESULT. Was the case found arbitrable? (Explain result in data element [57], below.)

N - No

P - Still in progress

Y - Yes

GENERAL INFORMATION

[56] TOTAL STAFF-HOURS EXPENDED. Enter the estimated number of staff-hours expended by the installation for the cost comparison. Include direct and indirect hours expended from the time of PWS until a final decision is made.

[56A] ESTIMATED COST OF CONDUCTING THE COST COMPARISON. Enter the estimated cost of the total staff-hours identified in data element [56], above, and non-labor (travel, reproduction costs, etc.) associated with the cost comparison.

Data elements [56] and [56A] will only be completed by DoD Components that are participating in the pilot test of these data elements.

[57] DoD COMPONENT COMMENTS. Enter comments, as required, to explain situations that affect the conduct of the cost comparison. Where appropriate, precede each comment with the CAMIS data element being referenced.

[58] EFFECTIVE DATE. "As of" date of the most current update for the cost comparison. This data element will be completed by the DMDC.

[59] (Leave blank, for DoD computer program use.)

SECTION SIX

EVENT: QUARTER FOLLOWING CONTRACT AND/OR OPTION RENEWAL

The entries in this section identify original costs, savings, information on subsequent performance periods and miscellaneous contract data. The DoD component shall enter the following data elements in the first quarterly update annually.

[60] ORIGINAL COST OF FUNCTION(S) (\$000). The estimated total cost of functions before to development of an MEO in thousands of dollars, rounded to the nearest thousand for the base year and option years. (Begin entry when study began for data element [2] after 1 October 1989.)

[60A] ESTIMATED DOLLAR SAVINGS (\$000). The DoD Component's estimated savings from the cost comparison for the base year plus option years, in thousands of dollars, rounded to the nearest thousand, for either in-house or contract performance. Documentation will be available at the DoD Component level. (Begin entry after 1 October 1989.)

[61] CONTRACT OR IN-HOUSE BID FIRST PERFORMANCE PERIOD (\$000). For studies resulting in continued in-house performance, enter the total in-house cost (Line 6 from the CCF) for the first performance period. For studies resulting in conversion to contract performance, enter the contract price (Line 7 from the CCF) for the first performance period. Figures shall be shown in thousands of dollars, rounded to the nearest thousand.

[61A] ACTUAL CONTRACT OR IN-HOUSE COSTA FIRST

PERFORMANCE PERIOD (\$000). Enter the actual first performance period contract cost including all change orders (plus changes in the scope of work) or actual in-house performance cost including changes in the scope of work, in thousands of dollars, rounded to the nearest thousand. No entry is required for actual in-house performance during the second and third performance periods.

[61B] ADJUSTED CONTRACT COSTS FIRST PERFORMANCE PERIOD (\$000). Enter an adjusted first performance period contract cost that includes actual DoL wage increases and costs for omissions and/or errors in the original PWS, but exclude new requirement costs and their associated wage increases, in thousands of dollars, rounded to the nearest thousand. (Begin entry after 1 October 1989.)

[61C] ADJUSTED IN-HOUSE COSTS FIRST PERIPORMANCE PERIOD (\$000). Enter the total first performance period in-house cost of the MEO, including civil service pay increases, but excluding increases associated with new mission requirements not included in the original scope of work of the function. Show costs in thousands of dollars, rounded to the nearest thousand. Entry is required even if the function went to contract. (Begin entry after 1 October 1989.)

[62] CONTRACT OR IN-HOUSE BID SECOND PERFORMANCE PERIOD (\$000). For studies resulting in continued in-house performance, enter the total in-house cost (Line 6 from the CCF) for the second performance period. For studies resulting in conversion to contract performance, enter the contract price (Line 7 from the CCF) for the second performance period. Figures shall be shown in thousands of dollars, rounded to the nearest thousand.

[62A] ACTUAL CONTRACT COSTS SECOND PERFORMANCE PERIOD (\$000). Enter the actual second performance period contract cost including all change orders (plus changes in the scope of work), in thousands of dollars, rounded to the nearest thousand. No entry is required when the function remained in-house.

[62B] ADJUSTED CONTRACT COSTS SECOND PERFORMANCE PERIOD(\$000). Enter an adjusted second performance period contract cost that includes actual DoL wage increases and costs for omissions and/or errors in the original PWS, but exclude new requirement costs and their associated wage increases, in thousands of dollars, rounded to the nearest thousand. (Begin entry after I October 1989.)

[62C] ADJUSTED IN-HOUSE COSTS SECOND PERFORMANCE PERIOD (\$000). Enter the total second performance period in-house cost of the

MEO, including civil service pay increases, but excluding increases associated with new mission requirements not included in the original scope of work of the function. Show costs in thousands of dollars, rounded to the nearest thousand. Entry is required even if the function went to contract. (Begin entry after 1 October 1989.)

[63] CONTRACT OR IN-HOUSE BID THIRD PERFORMANCE PERIOD (\$000). For studies resulting in continued in-house performance, enter the total in-house cost (Line 6 from the CCF) for the third performance period. For studies resulting in conversion to contract performance, enter the contract price (line 7 from the CCF) for the third performance period. Figures shall be shown in thousands of dollars, rounded to the nearest thousand.

[63A] ACTUAL CONTRACT COSTS PERFORMANCE PERIOD (\$000). Enter the actual third performance period contract cost including all change orders (plus changes in the scope of work), in thousands of dollars, rounded to the nearest thousand. No entry is required when the function remained in-house.

[63B] ADJUSTED CONTRACT COSTS PERFORMANCE PERIOD(\$000). Enter an adjusted third performance period contract cost that includes actual DoL wage increases and costs for omissions and/or errors in the original PWS, but exclude new requirement costs and their associated wage increases, in thousands of dollars, rounded to the nearest thousand. (Begin entry after 1 October 1989.)

[63C] ADJUSTED IN-HOUSE COSTS THIRD PERFORMANCE PERIOD (\$000). Enter the total third performance period in-house cost of the MEO, including civil service pay increases, but excluding increases associated with new mission requirements not included in the original scope of work of the function. Show costs in thousands of dollars, rounded to the nearest thousand. Entry is required even if the function went to contract. (Begin entry after 1 October 1989.)

[64] CONTRACTOR CHANGE. Enter one of the following alpha designators to indicate whether the contract for the second or the performance period has changed from the original contractor.

N - No, the contractor has not changed

Y - Yes, the contractor has changed

Data elements [65] through [66], below, are not required if the answer to [64], above, is no (N).

[65] NEW CONTRACTOR SIZE (If data element [66], below, contains the alpha designator "I" or "R," no entry is required.)

L - New contractor is large business.

S - New contractor is small and/or small disadvantaged business.

[66] REASON FOR CHANGE. DoD Components shall enter one of the following designators listed below, followed by the last two digits of the Fiscal Year in which the change occurred.

C - Contract workload consolidated with other existing contract workload.

D - New contractor takes over because original contractor defaults.

I - Returned in-house because original contractor defaults within 12 months of start date and in-house bid is the next lowest.

N - New contractor replaced original contractor because Government opted not to renew contract in option years.

R - Returned in-house temporarily pending resolicitation due to contract default, etc.

U - Contract workload consolidated into a larger (umbrella) cost comparison.

X - Other-function either returned in-house or eliminated because of base closure, realignment, budget reduction or other change in requirements.

[67] CONTRACT ADMINISTRATION STAFFING. The actual number of contract administration personnel hired to administer the contract.

CAMIS ENTRY AND UPDATE INSTRUCTION

PART II -- DIRECT CONVERSIONS AND SIMPLIFIED COST COMPARISONS

The bracketed number preceding each definition in Sections One through

Six, below, is the DoD data element number. All date fields should be in the format YYMMDD (Data element reference, DA-FA).

SECTION ONE

EVENT: DoD COMPONENT APPROVES THE CA ACTION

All entries in this section of the DCSCC record shall be submitted by DoD Components on the first quarter update after approving the start of a cost comparison. These entries shall be used to establish the DCSCCR and to identify the geographical organizational, political, and functional attributes of the activity (or activities) undergoing conversion and/or comparison as well as to provide an initial estimate of the manpower associated with the activity (or activities). The initial estimate of the personnel in this section of the DCSCCR will be, in all cases, those personnel figures identified in the correspondence approving the start of the conversion and/or comparison. DoD Components shall enter the following data elements to establish a DCSCCR:

[1] DIRECT CONVERSION/SIMPLIFIED COST COMPARISON NUMBER. The number assigned by the DoD Component to uniquely identify a specific conversion and/or comparison. The first character of the conversion and/or comparison number must be a letter designating the DoD Component as noted in data element [3], below. The conversion and/or comparison number may vary in length from five to ten characters, of which the second and subsequent may be alpha or numeric and assigned under any system desired by the DoD Component.

[2] APPROVAL DATE. The date the simplified cost comparison or direct conversion was approved.

[3] DoD COMPONENT CODE. Use the following codes to identify the Military Service or Defense Agency and/or Field Activity conducting the cost comparison:

A - Department of the Army

B - Defense Mapping Agency (DMA)

D - Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) [3D1]

D - Washington Headquarters Service (WHS) [3D2]

F - Department of the Air Force

G - National Security Agency/Central Security Service (NSA/CSS)

H - Defense Nuclear Agency (DNA)

J - Joint Chiefs of Staff (JCS) (including the Joint Staff, Unified and Specified Commands, and Joint Service Schools)

K - Defense Information Systems Agency (DISA)

L - Defense Intelligence Agency (DIA)

M - United States Marine Corps (USMC)

N - United States Navy (USN)

R - Defense Contract Audit Agency (DCAA)

S - Defense Logistics Agency (DLA)

T - Defense Security Assistance Agency (DSAA)

V - Defense Investigative Service (DIS)

W - Uniformed Services University of the Health Sciences
(USUHS)

Y - On-Site Inspection Agency (OSIA)

2 - Defense Finance & Accounting Service (DFAS)

3 - Defense Commissary Agency (DeCA)

4 - Defense Technical Information Center (DTIC)

5 - U.S. Army Corps of Engineers (USACE) Civil Works

[4] COMMAND CODE. The code established by the DoD Component headquarters to identify the *command responsible for operating the CA undergoing conversion and/or comparison.*

[5] INSTALLATION CODE. The code established by the DoD Component headquarters to *identify the installation where the CA(s) under cost comparison is and/or are located physically. Two or more codes (for cost comparison packages encompassing more than one installation) should be separated by commas.*

[5A] INSTALLATION NAME. The installation name(s) for data element [5] above.

[6] STATE CODE. *A two-position numeric code for the State (Data element reference ST-GA.) or U.S. Territory (FIPS 55-2), as shown in enclosure 4, attachment 4-1-1, of this Instruction, where element [5] is located. Two or more codes shall be separated by commas.*

[7] CONGRESSIONAL DISTRICT (CD). Number of the CDs where [5], above, is located. If representatives are elected "at large," enter "01I " in this data element; for a delegate or resident commissioner (i.e., District of Columbia or Puerto Rico) enter "98." If the installation is located in two or more CDs, all CDs should be entered and separated by commas.

[8] *(leave blank)*

[9] TITLE OF CONVERSION AND/OR COMPARISON. *The title that describes the CA(s) under conversion/comparison (for instance, "Facilities Engineering Package," "Installation Bus Service," or "Motor Pool"). Use a clear title, not acronyms or function codes in this data element.*

[10] DoD FUNCTIONAL AREA CODE(S). *The four- or five- alpha and/or numeric character* designators listed in enclosure 3, of this Instruction that describe the type of CA undergoing conversion *and/or comparison. This would be one code for a single CA or possibly several codes for a large cost comparison package. A series of codes shall be separated by commas.*

[11] PRIOR OPERATION CODE. *A single alpha character that identifies the mode of operation for the activity at the time the conversion and/or comparison is started. Despite the outcome of the conversion and/or comparison, this code does not change. The coding is as follows:*

C -Contract

E - Expansion

I - In-house

N - New requirement

[12] CONVERSION AND/OR COMPARISON STATUS CODE. A single alpha character that identifies the current status of the conversion and/or comparison. Enter one of the following codes:

B - Broken out. The cost comparison package has been broken into two or more separate cost comparisons. The previous DCSCCR shall be excluded from future updates. (See data element [15], below.)

C - Complete

P - In progress

X - Canceled. The DCSCCR shall be excluded from future updates.

Z - Consolidated. The cost comparison has been consolidated with one or more other cost comparisons into a single cost comparison package. The DCSCCR for the cost comparison that has been consolidated shall be excluded from future updates. (See data element [15], below.)

[13] ANNOUNCEMENT--PERSONNEL ESTIMATE CIVILIAN, AND [14] ANNOUNCEMENT--PERSONNEL ESTIMATE MILITARY. The number of civilian and military personnel allocated to the CAs undergoing conversion and/or comparison at the time the start of the conversion and/or comparison is approved. This number in all cases shall be those personnel figures identified when the conversion and/or comparison was approved and will include authorized positions, temporaries, and borrowed labor. The number is used to give a preliminary estimate of the size of the activity.

[15] REVISED AND/OR ORIGINAL COST COMPARISON NUMBER. When a consolidation occurs, create a new DCSCCR containing the attributes of the consolidated conversion and/or comparison. In the DCSCCR of each conversion and/or comparison being consolidated, enter the conversion and/or comparison number of the new DCSCCR in this data element and code "Z" in data element [12], above. In the new DCSCCR this data element should be blank and data element [12], above, should denote the current status of the conversion and/or

comparison. Once the consolidation has occurred only the new DCSCCR requires future updates.

When a single conversion and/or comparison is being broken into multiple conversion and/or comparisons, create a new DCSCCR for each conversion and/or comparison broken out from the original conversion and/or comparison. Each new DCSCCR shall contain its own unique set of attributes; in data element [15], above, enter the conversion and/or comparison number of the original conversion and/or comparison from which each was derived, and in data element [12], above, enter the current status of each conversion and/or, comparison. For the original conversion and/or comparison, data element [15], above, should be blank and data element [12], above, should have a code "B" entry. Only the derivative record entries require future updates.

When a consolidation or a breakout occurs, an explanatory remark shall be entered in data element [56], below (such as, "part of SW region cost comparison," or, "separated into three cost comparisons").

[16] (Leave blank)

SECTION TWO

EVENT: THE SOLICITATION IS ISSUED

The entries in this section of the DCSCCR provide information on the personnel authorized to perform the workload in the PWS, the number of workyears used to accomplish the workload in the PWS, and the type and kind of solicitation.

The DoD Component shall enter the following data elements at the first quarterly update subsequent to the issuance of the solicitation:

[17] (Leave blank)

[18] SOLICITATION-TYPE CODE. A one-character alpha designator that identifies the type of solicitation used to obtain contract bids or offers. Use either the CBD as the source document or information received from the contracting officer for this entry. Solicitations under Section 8(a) of "The Small Business Act" (reference (s)) are negotiated. Enter one of the following codes:

N - Negotiated

S - Sealed Bid

[19] SOLICITATION-KIND CODE. A one-character (or two-character, if "W" suffix is used) alpha designator indicating whether the competition for the contract has been limited to a specific class of bidders or offerers. Use either the CBD as the source document or information received from the contracting officer to enter one of the following codes:

A - Restrict to small business

B - Small Business Administration 8(a) Set Aside

C - "Javits-Wagner-O'Day Act" (JWOD)

D - Other mandatory sources

U - Unrestricted

W - (Optional suffix) Unrestricted after initial restriction

[20] CURRENT AUTHORIZED CIVILIANS, AND [21] CURRENT AUTHORIZED MILITARY. The number of civilian and military authorizations allocated on the DoD Component's manpower documents to perform the work described in the PWS. This number refines the initial authorization estimate (Section One, data elements [13] and [14], above).

[22] BASELINE ANNUAL WORKYEARS CIVILIAN AND [23] BASELINE ANNUAL WORKYEARS MILITARY. The number of annual workyears it has taken to perform the work described by the PWS before the DoD Component conducts the MEO analysis the in-house organization. Do not include contract monitor requirements. Military workyears include assigned, borrowed, diverted, and detailed personnel. Less than one-half a year of effort should be rounded down, and one-half a year or more should be rounded up. These workyear figures shall be the baseline for determining the personnel savings identified by the most efficient organization analysis.

SECTION THREE

EVENT: THE IN-HOUSE AND THE CONTRACTOR COSTS OF OPERATION ARE COMPARED The entries in this section provide information on the date of the conversion and/or comparison (initial decision), the preliminary results,

the number of bids or offers received, and the costing method used in the conversion and/or comparison.

The DoD Component shall enter the following data elements in the first quarterly update subsequent to the date of the comparison of in-house and contractor costs (date of initial decision):

[24] SCHEDULED INITIAL DECISION DATE. Date the initial decision is scheduled at the start of a conversion and/or comparison.

[24A] ACTUAL INITIAL DECISION DATE. Date the initial decision is announced. The initial decision is based on the apparent low bid or offer and is subject to pre-award surveys and resolution of all appeals and protests. In a sealed bid procurement, the initial decision is announced at bid opening. In a negotiated procurement, the initial decision is announced when the cost comparison is made between the in-house estimate and the proposal of the selected offerer. In a conversion, the initial decision is announced when the in-house cost estimate is evaluated against proposed contractor proposals.

[25] COST COMPARISON PRELIMINARY RESULTS CODE. A one-character alpha designator indicating the results of the cost comparison as announced by the contracting officer at the time of the comparison (No entry required for a direct conversion). The entries are limited to two possibilities:

C - Contract

I - In-house

[26] (Leave blank)

[27] (Leave blank)

SECTION FOUR

EVENT: THE CONTRACTING OFFICER EITHER AWARDS THE CONTRACT OR CANCELS THE SOLICITATION

The entries in this section identify the final result, information on the contract, the in-house bid, and costing information from the direct conversion and/or simplified cost comparison fact sheet.

The DoD Component shall enter the following data elements in the first

quarterly update subsequent to the date the contracting officer either awards a contract or cancels the solicitation:

[28] **CONTRACT AWARD OR SOLICITATION CANCELLATION DATE.** For conversions to contract, this is the date a contract was awarded in a sealed bid solicitation or the date the contractor was authorized to proceed on a conditional award contract in a negotiated solicitation. For retentions in-house, this is the date the solicitation was canceled (when the contracting officer publishes an amendment to cancel the solicitation).

[29] **COST COMPARISON FINAL RESULT CODE.** A one-character alpha designator identifying the final result of the comparison between in-house and contractor costs; the contracting officer either awards the contract or cancels the solicitation. Enter one of the following codes:

C - Contract

I - In-house

[30] **DECISION RATIONONALE CODE.** A one-character alpha designator that identifies the rationale for awarding a contract or canceling the solicitation. The work shall be performed in-house or by contractor based on cost, for other than cost, or the work shall be performed in-house because no satisfactory commercial source was available (no bids or offers were received or the pre-award survey resulted in the determination that no commercial sources were responsive or responsible). Enter one of the following codes:

C - Cost

N - No satisfactory commercial source

O - Other

[31] (Leave blank)

[31A] **PRIME CONTRACTOR SIZE.** Enter one of the following;

L - Large business

S - Small or small and/or disadvantaged business

[32] MEO WORKYEARS. The number of annual workyears it takes to perform the work described in the PWS after the MEO analysis has been conducted. This entry will be equal to the number of annual workyears in the in-house bid. (No entry required for a direct conversion.)

For data elements [33] through [36], below, enter all data after all adjustments required by appeal board decisions. Do not include minimum cost differential in the computation of any of these data elements. If a valid conversion and/or comparison was not conducted (i.e., all bidders or offerers disqualified, no bids or offers received, etc.) do not complete data elements [33], [34] and [36], below. Explain lack of valid cost data in data element [56], "DoD Component Comments," below.

[33] FIRST PERFORMANCE PERIOD. Expressed in months, the length of time covered by the contract. Do not include any option periods.

[34] CONVERSION AND/OR COMPARISON PERIOD. Expressed in months, the total period of operation covered by the conversion or cost comparison; this is the period used as the basis for data elements [35] and [36], below.

[35] TOTAL IN-HOUSE COST (\$000). Enter the total estimated cost of in-house performance for the base year plus option years, in thousands of dollars rounded to the nearest thousand. An entry is required although the activity remains in-house due to absence of a satisfactory commercial source. (No entry required for a direct conversion.)

[36] TOTAL CONTRACT COST (\$000). Enter the total estimated cost of contract performance for the base year plus option years, in thousands of dollars rounded to the nearest thousand.

[37] SCHEDULED CONTRACT OR MEO START DATE. Date the contract and/or MEO was scheduled to start at the beginning of a conversion and/or comparison.

SECTION FIVE

EVENT: THE CONTRACT MEO STARTS

The entries in this section identify the contract or MEO start date and the personnel actions taken as a result of the conversion and/or comparison.

The DoD Component shall enter the following data elements in the first quarterly update subsequent to the start of the contract:

[38] CONTRACT AND/OR MEO START DATE. The actual date the contractor began operation of the contract or the Government implements the MEO.

[39] PERMANENT EMPLOYEES REASSIGNED TO EQUIVALENT POSITIONS. The number of permanent employees who were reassigned to positions of equivalent grade as of the contract start date.

[40] PERMANENT EMPLOYEES CHANGED TO LOWER POSITIONS. The number of permanent employees who were reassigned to lower grade positions as of the contract start date.

[41] EMPLOYEES TAKING EARLY RETIREMENT. The number of employees who took early retirement as of the contract start date.

[42] EMPLOYEES TAKING NORMAL RETIREMENT. The number of employees who took nominal retirement as of the contract start date.

[43] PERMANENT EMPLOYEES SEPARATED. The number of permanent employees who were separated from Federal employment as of the contract start date.

[44] TEMPORARY EMPLOYEE SEPARATED. The number of temporary employees who were separated from Federal employment as of the contract start date.

[45] EMPLOYEES ENTITLED TO SEVERANCE PAY. The estimated number of employees entitled to severance pay on their separation from Federal employment as of the contract start date.

[46] TOTAL AMOUNT OF SEVERANCE ENTITLEMENTS (\$000). The total estimated amount of severance to be paid to all employees, in thousands of dollars, rounded to the nearest thousand, as of the contract start date.

[47] NUMBER OF EMPLOYEES HIRED BY THE CONTRACTOR. The number of estimated DoD civilian employees (full-time or otherwise) that will be hired by the contractors, or their subcontractors, at the contract start date.

ADMINISTRATIVE APPEAL

[48] FILED. Were administrative appeals filed?

N - No

Y - Yes

[49] SOURCE. Who filed the appeal?

B - Both

C - Contractor

I - In-House

[50] RESULT. Were the appeals finally upheld? (If both appealed, explain result in data element [56], below.)

N - No

P - Still in Progress

Y - Yes

GAO PROTEST

[51] FILED. Was a protest filed with GAO?

N - No

Y - Yes

[52] SOURCE. Who filed the protest?

B - Both

C - Contractor

I - In-house

[53] RESULT. Was the protest finally upheld? (Explain result in data element [56], below.)

N - No

P - Still in progress

Y - Yes

ARBITRATION.

[54] REQUESTED. Was there a request for arbitration?

N - No

Y - Yes

[55] RESULT. Was the case found arbitrable? (Explain result in data element [56], below.)

N - No

P - Still in progress

Y - Yes

GENERAL INFORMATION

[56] DoD COMPONENTS COMMENTS. Enter comments, as required, to explain situations that affect the conduct of the conversion and/or comparison.emsp; Where appropriate, precede each comment with the CAMIS data element being referenced.

[57] EFFECTIVE DATE. "As of" date of the most current update for the conversion and/or comparison. This data element will be completed by the DMDC.

[58] (Leave blank, for DoD computer program use).

SECTION SIX

EVENT: QUARTER FOLLOWING CONTRACT AND/OR OPTION RENEWAL

The entries in this section identify information on subsequent performance periods and miscellaneous contract data. The DoD Component shall enter the following data elements in the first quarterly update annually:

[59] ACTUAL CONTRACT COST FIRST PERFORMANCE PERIOD (\$000). Enter the actual contractor cost for the first performance period, in thousands of dollars, rounded to the nearest thousand.

[60] ACTUAL CONTRACT COST SECOND PERFORMANCE PERIOD (\$000). Enter the actual contractor cost for the second performance period, in thousands of dollars, rounded to the nearest thousand.

[61] ACTUAL CONTRACT COST THIRD PERFORMANCE PERIOD (\$000). Enter the actual contractor cost for the third performance period, in thousands of dollars, rounded to the nearest thousand.

[62] CONTRACTOR CHANGE. Enter one of the following alpha designators to indicate whether the contractor for the second or third performance period has changed from the original contractor.

N - No, the contractor has not changed

Y - Yes, the contractor has changed

Data elements [63] through [64], below, are not required if the answer to [62], above, is no (N).

[63] NEW CONTRACTOR SIZE. (If data element [64], below, contains the alpha designator "I" or "R," no entry is required.)

L - New contractor is large business

S - New contractor is small and/or small disadvantaged business.

[64] REASON FOR CHANGE. DoD Components shall enter one of

the following designators listed below, followed by the last two digits of the FY in which the change occurred.

C - Contract workload consolidated with other existing contract workload.

D - New contractor takes over because original contractor defaults.

I - Returned in-house because of original contractor defaults; etc., within 6 months of start date and in-house bid is the next lowest.

N - New contractor replaced original contractor because Government opted not to renew contract in option years.

R - Returned in-house temporarily pending resolicitation due to contract default, etc.

U - Contract workload consolidated with other existing contract workload.

X - Other-Function either returned in-house or eliminated because of base closure, realignment, budget reduction or other change in requirements.

[65] CONTRACT ADMINISTRATION STAFFING. The actual number of contract administration personnel hired to administer the contract.